

French Hostages Freed; Gunmen Give Up



ained to a judge, a defendant in an armed robbery trial in Nantes, France, fired upon analysts on Friday, one day after taking more than 30 persons hostage in a courtroom.

Court Drama Ends Calmly

By Paul Treuchardt

The Associated Press

NANTES, France—Three gunmen who took over a courtroom during a robbery trial surrendered after 35 hours and released their last two hostages unharmed Friday, police said.

A car carrying the three gunmen pulled up outside the terminal of the airport of the northwestern city of Nantes. They were taken away by van. Police escorted the former hostages, both judges, into the terminal.

The three men surrendered together when suddenly they realized they were at a dead end," said Robert Broussard, one of France's top policemen who had negotiated with the gunmen. "They understood our determination because they found themselves at the far end of the runway with police all around them."

A government-owned Mysterie executive jet stood nearby, but officials said its presence was a coincidence. Radio reports said that it had flown in to take the gunmen and their hostages.

The drama began Thursday morning when a man burst into the Nantes courthouse Thursday morning with guns and grenades. With two defendants, he took the 32 persons in the courtroom captive. It ended Friday evening when the men surrendered at Nantes' Chateau Brevaux Airport.

They had left the courthouse Friday afternoon and sped off to the airport in a car supplied by police. The gang leader was handcuffed to the presiding judge of the trial, Dominique Balthache.

The other hostage, Bernard Bureau, said the gunmen had been "very determined. I was extremely afraid."

Mr. Bureau said there were long periods when the gunmen held grenades with the pins removed. He said he believed the man who stormed the courtroom, Abdel Kader Khalki, "acted out of deep friendship" for the two other men.

Mr. Bureau said that "at the beginning it was a suicide operation for them" but the gunmen later "wanted to limit the price."

The three, Georges Courtois, 38; Patrick Thiolet, 24, and Mr. Khalki, 33, had threatened to kill their hostages and commit suicide if their escape attempt failed.

Mr. Courtois, Mr. Thiolet and two other robbery suspects were on trial Thursday morning when Mr. Khalki burst in and dismissed police.

All but four of the captives were released in small groups over several hours before the gunmen left the courthouse. Two of the remaining hostages were released soon after the gunmen's car arrived at the airport.

Shortly before the gunmen left for the airport, Mr. Courtois appeared on the courthouse steps, holding a hostage and firing several shots toward journalists and others about 70 yards away. No one was hurt, but a British Broadcasting Corp. camera was smashed by a bullet.

On Friday morning, Joël Bitoun, a local reporter for French state radio, went inside the courtroom at the demand of the gunmen and recorded several statements. He quoted Mr. Courtois as saying that he was not afraid of dying if necessary.

Mr. Broussard said the three gunmen had tried to break out of the courthouse at 4:20 A.M. Friday, but had retreated when they found themselves "in the dark in the large entry lobby" in which members of a police commando were hidden.

Police said Mr. Khalki was a Moroccan who had finished serving a sentence for armed robbery three weeks ago.

"I want to give the French justice system a slap in the face," a reporter quoted him as saying.

On Thursday, Mr. Khalki identified himself as a member of the Palestinian guerrilla faction headed by Abu Nidal.

Lesotho Says Pretoria Troops Killed South African Political Refugees

ASERU, Lesotho—Nine political refugees from South Africa shot dead Friday in Maseru, who's capital. The government of the killers were South African commandos, but South Africa denies the charge.

According to the state-run Radio 4, four women and three men were shot to death in an apartment where they were being sheltered by white South Africans.

The owner of the apartment has been arrested and is being held by the radio said.

South African of mixed race the white woman who lived him were killed in a separate attack on their home, the radio said.

Nigeria Says It Foiled Coup Plot by Military

By James Jukwey

Reuters

AGOS—Nigeria has foiled a plot to topple the government of Ibrahim Babangida and military officers have been detained, General Dabiri said.

He said at a press conference the plotters opposed the government's action in canceling negotiations for a \$2.5-billion loan from the International Monetary Fund.

He also resented the fact that officials from the government general Mohammed Buhari, brown in August by General agida, had been retained in custody while other middle-level officers had been appointed to top posts.

General Buhari did not say how officers were arrested nor did use them. But he said they did not use all the armed services, so did not say when or where of was uncovered.

Western diplomats, reached in by telephone from the Ivory said that they had been in place that the trouble took place today in northern Nigeria, Associated Press reported.

They said several of the officers had come from the and staff school in Jaji, a academy in the north ar by virtually all Nigeria's officers.

Military sources said three senior officers and several senior air force officers were among those arrested. They declined to name those detained but diplomats said it appeared that a court martial was sitting in Lagos to try the officers and that punishment would be swift.

Officers of a coup attempt have life in Lagos since Sunday, analysts could be seen on a main in Lagos. Security has been tightly around Doddaan's, General Babangida's residence, since Sunday.

Content with General Babangida believed to have been growing particularly among the present Muslim northern and who feel his government of minorities and southern forces said.

General Buhari and the civilian went he overthrew in January led by President Shugu are both from the north.

General Buhari said investigations that the arrested officers scrutiny followers and complans for the violent over-



General Ibrahim Babangida

throw of the government," he said. "All those military personnel involved will be dealt with in accordance with military law."

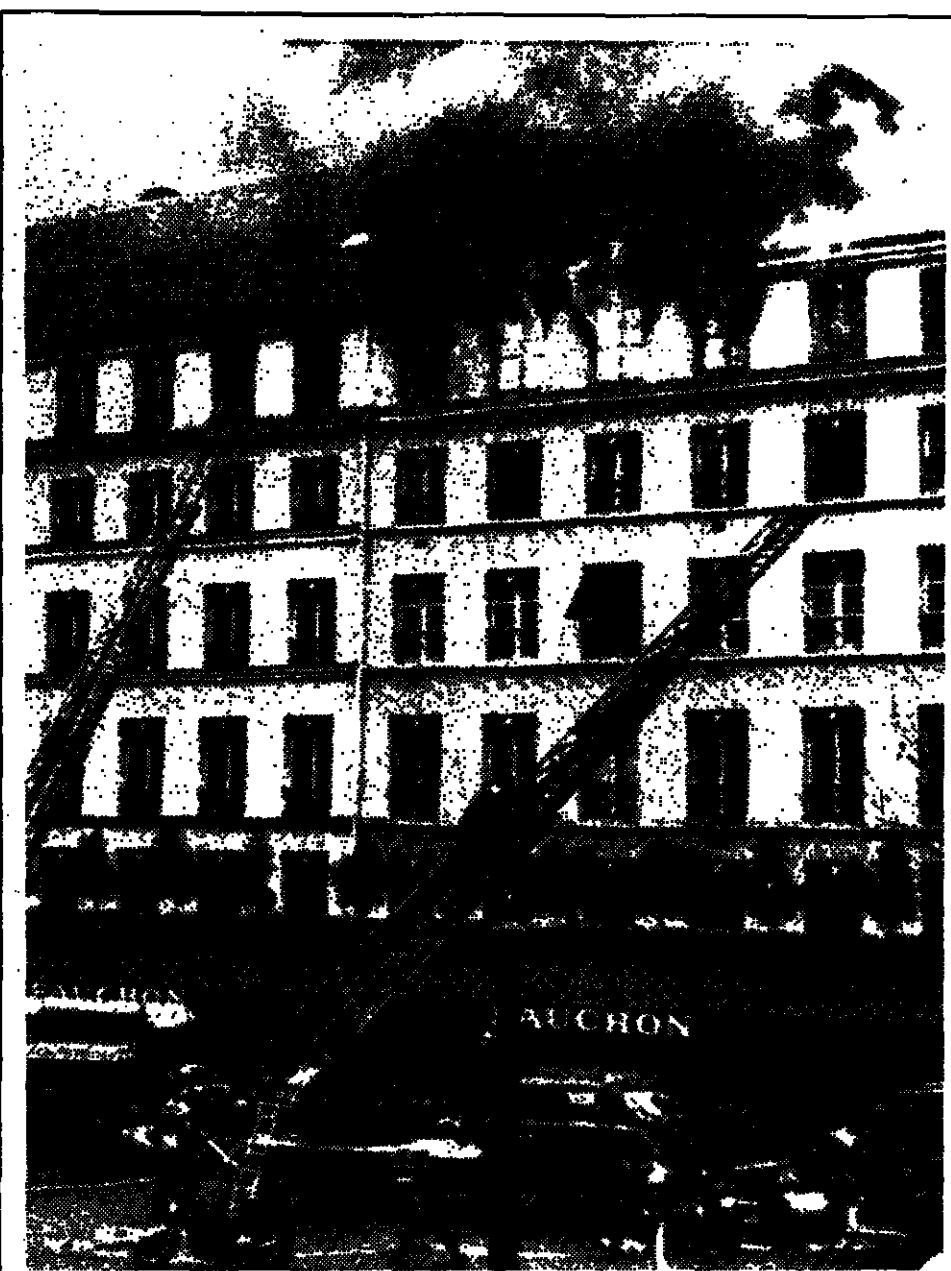
General Buhari said the plotters saw no reason why Nigeria should reject the IMF loan that was followed by a cut in military salaries.

They claimed, he said, that the military was not responsible for Nigeria's economic woes.

Senator Edward F. Kennedy during his televised announcement in Boston that he would not seek the U.S. presidency.



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Fire at Luxury Food Store in Paris Kills 2

Firemen carrying a victim down a ladder at the Fauchon luxury food store at the Place de la Madeleine in Paris, during a fire that destroyed the top floor. A broken gas line apparently caused the blaze, in which the president of Fauchon, Josette Guelimino, 61, and her daughter, Nathalie, 32, were killed. Two others were seriously hurt, and about 250 persons were evacuated. A strike of workers on the Paris Metro on Friday caused heavier-than-usual traffic and delayed fire fighters.

Barbie Trial Polygraph Test for Shultz Is Delayed by Is Ruled Out by Reagan

United Press International

WASHINGTON—President Ronald Reagan said Friday that Secretary of State George P. Shultz would not be required to take a lie-detector test under a presidential directive issued last month to thwart spying.

Mr. Shultz, who met earlier in the day with Mr. Reagan, had threatened to resign if his trustworthiness were put into question.

Mr. Reagan was asked whether West European officials welcome Shultz's recent trip to Eastern Europe. Page 2.

he tried to change Mr. Shultz's mind about taking such a test. "Not at all," he said. "I just explained to him that what he read in the press" during a recent trip to Europe was "not true."

Asked whether Mr. Shultz would have to take a polygraph test, Mr. Reagan replied, "Neither of us are going to have to take it."

Unusual Public Debate Earlier, Bernard Gwertzman of The New York Times reported: Mr. Shultz's statement Thursday that he had "grave reservations" about lie-detector, or polygraph, tests and would resign "the minute in this government I am told that I'm not trusted" touched off an unusual public debate in the administration.

His open dissent followed a directive signed Nov. 1 by Mr. Reagan requiring polygraph tests by officials with access to sensitive information.

A senior White House official said that despite Mr. Shultz's strong words it was highly unlikely that the secretary would resign.

Barbie's lawyer, Jacques Vergès, a maverick leftist, said he intends to use the trial as a political platform to accuse the French government of hypocrisy in putting his client on trial.

Some French newspapers have predicted that the trial will never take place, in view of Barbie's poor health.

With Kennedy Out, Analysts See Hart as Early Front-Runner



Senator Edward F. Kennedy during his televised announcement in Boston that he would not seek the U.S. presidency.

By David S. Broder

Washington Post Service

WASHINGTON—Senator Edward M. Kennedy's decision to drop out of the 1988 Democratic presidential race has made Senator Gary Hart the front-runner for the nomination, party leaders and strategists in both the Democratic and Republican parties said.

The Massachusetts senator's surprise announcement Thursday, which many took as an end to his hope of ever being president, appeared to catapult Mr. Hart to the front of the Democratic pack, but it also opened the contest to a larger field of possible challengers, according to those questioned.

[Mr. Kennedy said Friday that increasing speculation about his political plans forced him to speed up his decision. The Associated Press reported, from Boston. He added that he would not accept the nomination if drafted.

[He said that while his staff had not conducted any polls on his prospects, other polls had been encouraging. But he said he could be

1984 Democratic presidential nomination, has a level of name recognition and a favorable public image that no one else among the

"The person who occupied the biggest part of the room has walked out and that opens up an awful lot of space."

—Peter D. Hart, Democratic pollster

"more effective" on important issues by staying in the Senate.]

A Gallup Poll last July showed Mr. Hart as the second choice to Mr. Kennedy for the 1988 nomination among Democrats and holding a narrow lead over Mr. Kennedy among independents.

The Colorado senator, runner-up to Walter F. Mondale for the

prospective contenders seems able to match at the moment.

Mr. Hart already had set Jan. 4 as the date for announcing whether he will seek a third term as senator next November or step down to concentrate on another presidential bid.

Among other possible contenders whose chances may be advanced by Mr. Kennedy's withdrawal are Governor Mario M. Cuomo of New York, Senator Joseph R. Biden Jr. of Delaware and Representative Richard A. Gephardt of Missouri.

Politicians who mentioned them also said that other, lesser-known contenders, such as Governor Michael S. Dukakis of Massachusetts, may choose to run now that Mr. Kennedy has dropped out.

"The person who occupied the biggest part of the room has walked out," said a Democratic pollster, Peter D. Hart, "and that opens up an awful lot of space."

Among those mentioned by several observers are two retiring governors, Bruce E. Babbitt of Arizona and Charles S. Robb of Virginia, who have been prodding the Democratic Party to move away from the traditional liberalism embodied in Mr. Kennedy and Mr. Mondale.

Mr. Kennedy himself had at-

U.S. GNP Up 2.4% In 1985

Estimated Rate Is Lowest Since 1982 Recession

By Martin Crutsinger

The Associated Press

WASHINGTON—The U.S. economy is growing at an indicated rate of 2.4 percent in 1985, down sharply from last year's revised 6.6-percent increase and the weakest performance since the recession year of 1982, the government reported Friday.

The Commerce Department said the gross national product, the broadest measure of a nation's output of goods and services, is growing at an estimated annual rate of 3.2 percent in the current quarter, the year's strongest performance.

Commerce reported last month that GNP grew at a 4.3-percent rate in the third quarter, but that was revised downward to 3 percent.

The department's initial "flash" estimate of GNP growth for the quarter also showed that inflation remains well under control. A GNP-linked inflation index showed that prices rose 3.5 percent in 1985, the lowest increase since a 3-percent gain in 1967.

A separate measurement released Friday by the Labor Department, the more widely known Consumer Price Index, showed that consumer prices climbed 0.6 percent in November, the steepest monthly gain since January 1984.

That report said, however, that price increases for the first 11 months of the year were running at an annual rate of 3.6 percent. If that rate holds through December, 1985 would be the best year for consumer prices since 1967.

The estimate of GNP growth for the entire year of 2.4 percent, the slowest pace since a revised 2.5-percent drop in growth during the 1982 recession, is well below the Reagan administration's prediction of 1985 growth of 2.7 percent.

On a slightly different basis, measuring growth from the fourth quarter of last year to the current quarter, the GNP grew 2.8 percent, also below the administration's expectations for growth of 3 percent.

The GNP figures reported Friday reflect a substantial revision in the way this key economic statistic is calculated, a revision the government does every five years. The overhaul did a variety of things aimed at making the statistic a better reflection of the real economy.

For example, the new GNP figures reflect a substantial boost in Americans' personal income aimed at capturing more of the so-called "underground economy," the amount of money Americans earn but fail to report on their income tax returns.

The government estimated that this income loss amounted to \$101.2 billion in 1984. It also also dramatically revised the estimate for quarterly trade deficits in an effort to correct for previous late reporting. These changes had the biggest impact on quarterly movements in the GNP over the last year.

For instance, the government had originally estimated that the economy ended last year growing at a robust 4.3-percent annual rate. With the revision, however, economic growth in the final three months of 1984 was put at a lackluster 0.6 percent.

At the same time, the switch increased growth in the first quarter from an originally reported 0.3 percent to 3.7 percent. Growth in the second quarter was changed to 1.1 percent from an original 1.9-percent rate.

For the first six months of this year, the economy was growing at a 2.4-percent annual rate, but this has picked up to a 3.1 percent rate in the final six months. However, the Reagan administration had forecast 5-percent growth.

Mr. Shultz's statement seemed to catch State Department officials by surprise. They were unable to say how his opposition might affect the department's participation.

Mr. Shultz, in a discussion with reporters Thursday, said he believed that the tests were ineffective, often implicated innocent people and missed guilty ones.

Asked about taking such a test, he said, "The minute in this government I am told that I'm not trusted" touched off an unusual public debate in the administration.

His open dissent followed a directive signed Nov. 1 by Mr. Reagan requiring polygraph tests by officials with access to sensitive information.

A senior White House official said that despite Mr. Shultz's strong words it was highly unlikely that the secretary would resign.

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Shultz Trip to East Bloc Is Welcomed in Europe

Western Allies Say Visit Indicates U.S. Is Softening Its 'Hawkish' Attitude

By James M. Markham
New York Times Service

BONN — Senior officials in several Western European countries have privately welcomed Secretary of State George P. Shultz's nine-day swing through three Eastern European countries as a step toward a more active and differentiated U.S. approach to the area.

Mr. Shultz's visit to Romania, Hungary and Yugoslavia, his first foray into Eastern Europe, ended Wednesday.

Although it yielded no apparent breakthroughs, policy-makers in several capitals suggested it could eventually lead to a closer alignment of U.S. and Western European strategies toward the Soviet Union's occasionally restive Warsaw Pact allies.

In London, a senior adviser to Prime Minister Margaret Thatcher characterized the Shultz trip as a sign that "the practice of American East-West policy has been spreading out recently" from "a policy that was before largely concerned with building up deterrence."

The British official called last month's Soviet-American summit meeting in Geneva "a giant example" of this trend and cited the visit to Moscow this month of Commerce Secretary Malcolm Baldrige as another.

He said it appeared that American public opinion had, too, shifted away from a "very hawkish" phase and "wants to see a mixed policy—deterrence on the one hand and dialogue on the other."

A similar evolution occurred in Mrs. Thatcher's initially hawkish attitude to Eastern Europe after her visit to Hungary in the spring of 1984.

A year later, her foreign secretary, Sir Geoffrey Howe, made trips to East Germany, Czechoslovakia, Poland, Bulgaria and Romania, though in both Prague and Warsaw he went out of his way to salute repressed human rights activists.

A number of Western European political analysts contrasted Mr. Shultz's generally careful public remarks with the militant tones of a major Eastern European policy speech delivered by Vice President George Bush in Vienna on Sept. 21, 1983.

Mr. Bush's conspicuous singling out of Hungary for praise severely embarrassed its leader, Janos Kadar, within the Warsaw Pact. Hungarian officials privately argued later that such public ideological

exercises were the worst way to help their cautious course of economic and political liberalization.

Like Mrs. Thatcher, Mr. Shultz was impressed by Mr. Kadar, 73, and praised his wisdom. But the American envoy refrained from saying anything that would have compromised the Hungarians in the eyes of their allies.

In Paris, a senior French official said that the Shultz swing suggested "the United States has abandoned the line of sanctions against Eastern Europe."

"Here is a return to normalcy," said the official, who noted, however, that on the French right there was a certain incomprehension about the timing of Mr. Shultz's visit to Romania.

After enjoying years of indulgence for his independent foreign policy, President Nicolae Ceausescu now is the object of criticism in Western Europe because of his severe repression of dissent.

But the frosty mood surrounding Mr. Shultz's stay in Bucharest was widely contrasted with his friendly encounter with Mr. Kadar in Budapest, suggesting to some that Washington was tilting away from its traditional friendliness to Romania.

A considerable gap still separates Washington from Paris and Bonn on a policy toward Poland.

President Francois Mitterrand caused a storm of protest at home on Dec. 4 by receiving the Polish leader, General Wojciech Jaruzelski, but some commentators connected this abrupt gesture more to the French president's domestic need to demonstrate control of foreign policy than to a thought-out strategy toward Eastern Europe.

Chancellor Helmut Kohl of West Germany quickly endorsed Mr. Mitterrand's decision to receive the Polish party chief, saying it gave the French president a chance to explain "what expectations we in Western Europe have about the developments in Poland regarding more freedom."

The Jaruzelski trip stirred almost no controversy in West Germany, which under both Christian Democratic and Social Democratic governments has put a premium on a certain stability in Central Europe.

But Willy Brandt, chairman of the opposition Social Democrats, did draw fire for meeting several times this month with General Jaruzelski in Warsaw but not with Lech Walesa, leader of the banned Solidarity movement.



Secretary of State George P. Shultz, left, and Foreign Minister Peter Varkonyi of Hungary listened to a gypsy folk band during Mr. Shultz's recent visit to Budapest.

European Security Talks Gaining, Both Sides Say

STOCKHOLM — Delegates from the North Atlantic Treaty Organization to the 35-nation Conference on Disarmament in Europe said Friday that they were confident the talks would soon produce an agreement to reduce the risks of war.

"We have an agreement virtually within our grasp," said Robert Barry, the chief U.S. delegate, as the eighth session of the talks in two years ended. "I believe there is political will to start drafting and, more importantly, to get an agreement."

The conference was part of the process started by the 1975 Helsinki accords. It includes the United States, the Soviet Union, Canada and 32 European countries in talks aimed at reducing the risk of war breaking out in Europe as a result of surprise attack, accident or miscalculation.

The Soviet delegate, Oleg Grinevsky, said that last month's Geneva summit meeting between President Ronald Reagan and the Soviet leader, Mikhail S. Gorbachev, had a pronounced influence on the Stockholm talks.

"The atmosphere has become more businesslike," he said, "and it was possible to pick a number of questions that could form the substance of a future agreement."

Delegates settled the last major procedural question Thursday when they agreed to a schedule for

1986 that set Sept. 19 as a target date for finishing their work.

The conference is due to report to a full meeting of the Conference on Security and Cooperation in Europe, which is scheduled to begin preparatory sessions in Vienna on Sept. 23.

Work on drafting a final agreement is expected to start at the next session, due to begin Jan. 28.

Mr. Barry said there had been a meeting of views between East and West on the goals of the conference, although he cautioned that drafting a detailed accord would not be easy.

Areas of general agreement included key North Atlantic Treaty Organization proposals on annual forecasts of military activities and the timing of advance notification on such activities, Mr. Barry said.

The U.S. envoy said there also was agreement that the main Soviet proposal on renouncing the use of force would form part of the final document.

The biggest problem areas are expected to be NATO's insistence on verification and on exchanges of basic military information, and Moscow's desire to bring air and naval activities outside Europe within any agreement.

Mr. Barry said the United States would sign only an accord that was militarily significant, adding: "We would rather have no agreement than one which promises confidence, but undermines it in fact."

Yugoslavia Displaying Ambivalence on Terror

Dual Attitude to Domestic Terrorists, Those From Other Nations Is Perceived

By David Binder
New York Times Service

WASHINGTON — Yugoslavia, a country that never knew a period free of terrorism, has, in the view of U.S. government specialists and some Yugoslav officials, maintained dual attitudes over the years toward terrorists.

On the one hand the Belgrade government has moved mercilessly, sometimes even going beyond its own borders, to strike back at terrorist acts by radical members of one or another of Yugoslavia's diverse and traditionally antagonistic ethnic groups.

On the other hand, in conducting an intricate set of foreign relations based on its professed nonalignment, Belgrade has maintained friendly ties with governments and movements that have spawned terrorists, particularly in the Arab world.

On occasion it has also allowed reported international terrorists safe passage through Yugoslavia, as was the case with Mohammed Abbas, a Palestinian, on his flight to safety after the October hijacking of the Achille Lauro cruise ship.

These dual attitudes, which may appear ambivalent to non-Yugoslavs, were evident Tuesday in remarks by Foreign Minister Rado Dizdarevic at a Belgrade news conference.

After noting that Yugoslavia "has been a victim of acts of terrorism for a long time," Mr. Dizdarevic said:

"When speaking of terrorism and the struggle against terrorism, one must also view the causes that lead to it, because we believe that by the elimination of the causes of terrorism, the phenomenon itself can be controlled and eliminated."

Mr. Dizdarevic's comments came at a joint news conference with Secretary of State George P. Shultz of the United States, who noted during his visit to Belgrade that he and the Yugoslav foreign minister had discussed the passage of Mr. Abbas through Yugoslavia.

Upon hearing Mr. Dizdarevic's comments, Mr. Shultz, red-faced, pounded the table while saying that "hijacking an Italian ship, murdering an American, torturing and holding a whole bunch of other Americans is not justified by any cause that I know of."

Yugoslavia was in a sense born of terrorism: The assassination in Sarajevo of the Archduke Ferdinand of Austria in 1914 led to the collapse of empires in World War I and the birth of the original South Slav kingdom.

It has been shadowed by terrorist acts ever since: King Alexander, a Serb who was the first leader of the first Yugoslav state, was assassinated as a result of a Croatian-Bulgarian-Italian conspiracy in 1934.

Josip Broz Tito himself, founder of the second Yugoslav state, was arrested and convicted as a terrorist in 1928.

In the past 20 years more than 100 people have been killed in terrorist incidents aimed at Yugoslavia, ranging from the killing of the Yugoslav ambassador to Sweden in 1971 to a bomb that blew up an airliner over Czechoslovakia with 27 people aboard in 1972.

The attacks were organized for the most part under the direction of Croatian or Serbian exile groups motivated by the fratricidal nationalist hatreds molded in the heat of World War II.

These groups still have bases in West Germany, Belgium and Sweden, according to Belgrade authorities.

WORLD BRIEFS

Algeria Convicts 22 Rights Activists

MEDEA, Algeria (AP) — The Algerian State Security court has convicted 22 of 23 persons on trial for membership in illegal organizations and sentenced them to prison terms.

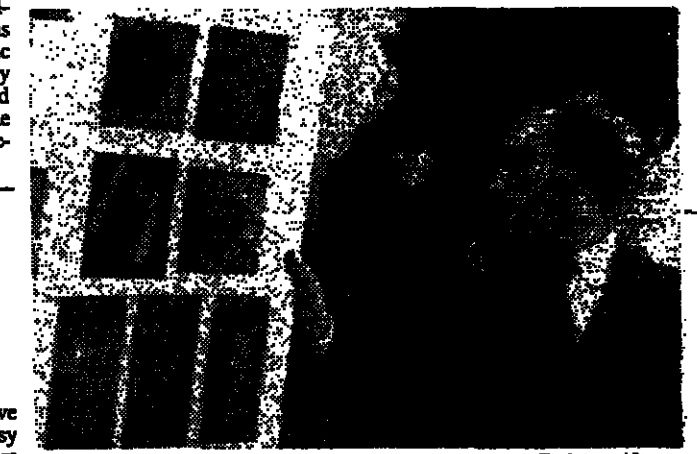
Twelve of the 23 belonged to the Algerian Human Rights League, created in June, and 11 were members of the Sons of Martyrs of the Revolution. The organizations are not recognized by the one-party Socialist state headed by President Chadli Bendjedid. The five-day trial ended Thursday.

Six people were sentenced to three years in prison, three to two years, 10 to sentences ranging from 10 to 18 months and three others to six months. There was one acquittal.

Damascus Talks on Lebanon Blocked

DAMASCUS (Reuters) — Lebanese militia leaders have left Damascus with new talks on ending the civil war blocked because of differences on a proposed new political system, aides said Friday.

There had been hopes that the talks, which opened Wednesday, might soon result in an agreement, but the Shiite Muslim militia chief, Nabih Berri, said negotiators of the rightist militia of the Christian Lebanese Forces had advanced a last-minute change. Mr. Berri said the negotiators were expected to continue discussions over the weekend. A Lebanese Forces spokesman, Michel Smaha, said talks might resume "in the next few days."



Elliott Abrams shows photographs of ammunition he said was hidden in a car involved in an accident in Honduras.

U.S. Cites Evidence Against Managua

WASHINGTON (WP) — An automobile crash in Honduras has provided new evidence to support U.S. assertions that the Nicaraguan government provides material support for the leftist guerrillas in El Salvador, according to a Reagan administration official.

Elliott Abrams, assistant secretary of state for inter-American affairs, said Thursday that the car had come from Nicaragua and was headed for El Salvador on Dec. 7 when it crashed near Choloma. He said the Honduran authorities found that the car contained six hidden compartments with \$77,400 in cash and 450 pounds (203 kilograms) of clandestine military equipment, including ammunition, 21 grenades and 86 blasting caps, as well as codebooks and letters addressed to Salvadoran guerrillas.

"If it is not the Sandinistas" who sent the car, Mr. Abrams said, "then it is some kind of free-lance group operating in Managua under the nose of the Sandinistas, or it is the tooth fairy. Those are equally plausible alternatives." Miriam Hooker, speaking for the Nicaraguan Embassy here, said the assertions were "absolutely false."

Marcos Foes Will Have Poll Watchers

MANILA (AFP) — The government said Thursday it will allow the United Nationalist Democratic Organization, the opposition coalition known as UNIDO, to have its own poll watchers in the Feb. 7 presidential election.

The Commission on Elections gave the coalition the status of the dominant opposition party in the Philippines, thereby entitling it to election observers. Four smaller parties were seeking that status, although only UNIDO is fielding a major presidential ticket. Poll watchers certify tallies of votes in precincts before they are forwarded to the Commission on Elections.

The decision had been generally expected but there had been fears that UNIDO, whose candidates are Corason C. Aquino and Salvador H. Laurel, would be denied the dominant opposition party status in some areas, thus lessening its chances against the New Society Movement of President Ferdinand E. Marcos.

For the Record

About 250 families were evacuated Friday in the town of Castlederg in North Ireland after guerrillas mortared a police station, wounding six people and damaging nearby buildings.

The Cypriot police are searching for a man identified as Abdullatif Salah, 25, in connection with an attempt to smuggle arms hidden in wine bottles aboard a Swiss airliner. Two suspects already are in custody following the incident, which took place Wednesday at the airport at Larnaca.

Spanish air traffic controllers began a 24-hour strike Friday over their demands for higher wages and shorter working hours.

Wiriwiri Ngunwe, the head of Zimbabwe's police force, has been arrested on charges of "widespread corruption and improper conduct," the news agency ZIANA reported from Harare. (AFP)

Basque Detainee's Death Renews Friction in Spain

By Edward Schumacher
New York Times Service

MADRID — The mysterious death of a Basque detainee while in police hands has renewed friction in Spain's Basque region.

The police arrested nearly 50 people during scattered confrontations Wednesday in which Basque protesters threw stones and gasoline bombs and the police responded with tear gas and rubber bullets.

The worst violence was in the northern coastal resort of San Sebastian, but Bilbao, Victoria and the Navarrese capital of Pamplona also recorded clashes, burning roadblocks and partial strikes.

The violence was provoked by the death of Mikel Zabaltza, a bus driver in San Sebastian who was detained by the paramilitary Civil Guard three weeks ago on suspicion of being connected with

Basque terrorists. His handcuffed body was found Sunday floating in a river in the Pyrenees Mountains.

The Civil Guard said that Mr. Zabaltza, 32, had escaped the night of his capture while he was leading members of the guard to a supposed arms cache in an abandoned railroad tunnel. They said that he darted through a hole in the tunnel and, although handcuffed, eluded his pursuers.

An official autopsy released Tuesday supported assertions that Mr. Zabaltza died by drowning and that his body showed no sign of violence. But his family has contended that Mr. Zabaltza drowned during torture by the Civil Guard.

A Danish forensic expert, Karen Helweg, who performed a second autopsy at the request of the family, said Wednesday she could not clear the doubts. "Forensic experts cannot establish whether the

head or the whole body was immersed," she said in a report.

Mr. Zabaltza's girlfriend, who was detained with him, has said that she saw Mr. Zabaltza in a Civil Guard barracks the day after his supposed escape. When an investigating judge made an unpublished visit to the barracks, he was told it did not keep logs on detentions.

Prime Minister Felipe Gonzalez said at a news conference Monday that he had confidence in Spanish justice and promised that the case would be cleared up "whatever the consequences."

But Interior Minister Jose Barionuevo Peña took a different attitude in parliament on Wednesday. He backed the Civil Guard's version and said any other was that of "the friends of those who kidnap, extort and assassinate."

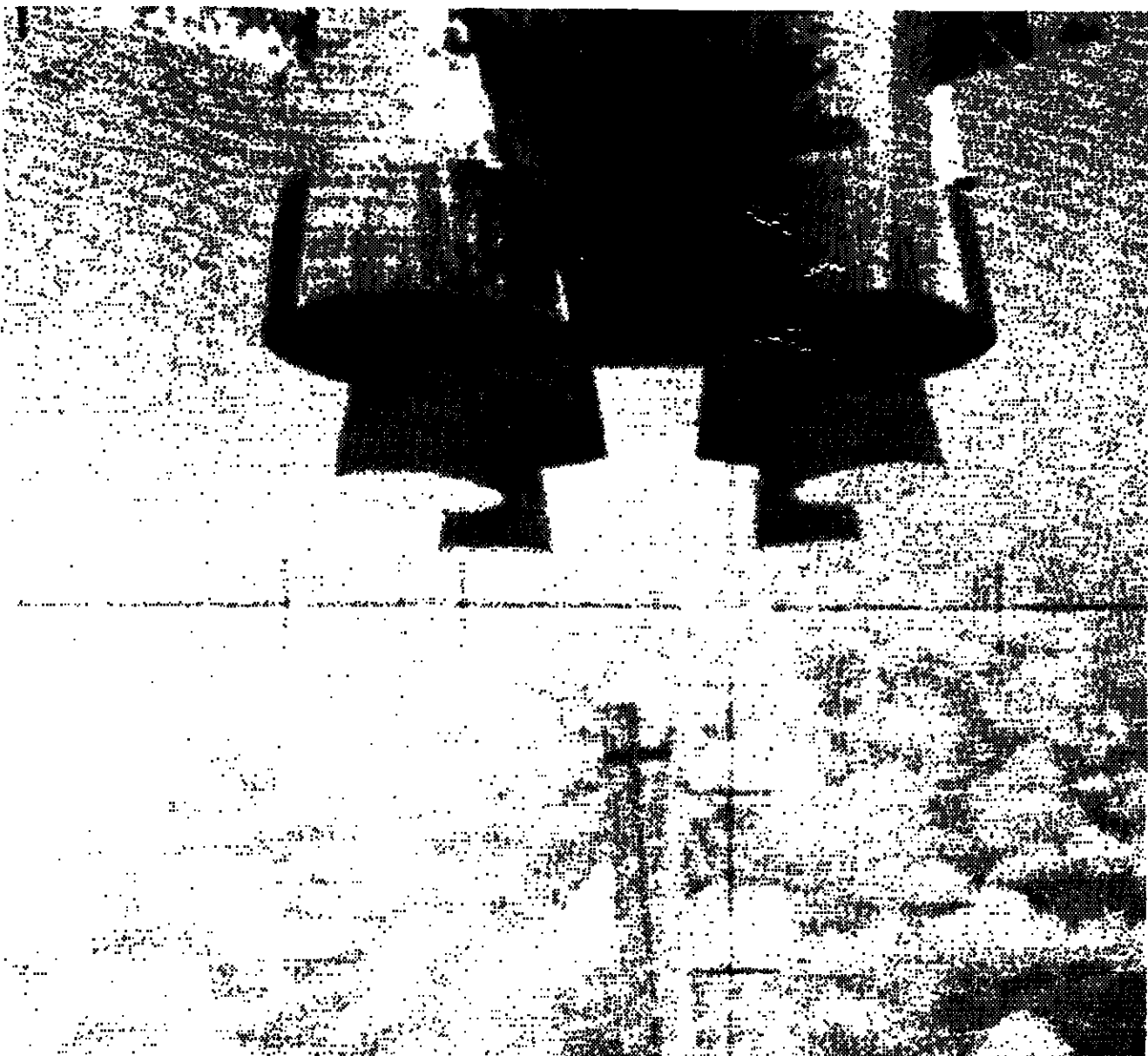
The case has revived the fortunes

of Basque extremists seeking an independent Basque nation. In the last 10 years the Basque and other Spanish regions have won limited autonomy. In the last year, the Basque regional government has increasingly condemned terrorism as an attack on democracy.

But every major Basque party supported calls for a limited strike to protest the death. Jose Antonio Ardanza, the head of the regional government, said in a statement that he shared "the doubts and fears arising from the incident."

Central to the dispute is Basque opposition to the national terrorism law under which Mr. Zabaltza was arrested. Approved in 1983, the law allows suspects to be held for up to 10 days before being arraigned. Thus no court was informed of Mr. Zabaltza's arrest to answer the questions over the timing.

After Concorde and Ariane, we've set our sights a little higher.



For 25 years, Aerospatiale has been a leader in supersonic transport and Europe's joint space effort. From the Diamant rocket to Ariane (for which we are prime contractor), from the Concorde to communications satellites, we've acquired a unique store of experience in space-related transportation and communications technologies.

Today, a new and compelling chapter in this odyssey has begun. One that signals the advent of Europe's own space vehicles and orbital stations. But then, Aerospatiale has already been France's emissary to the high frontier for quite some time now.

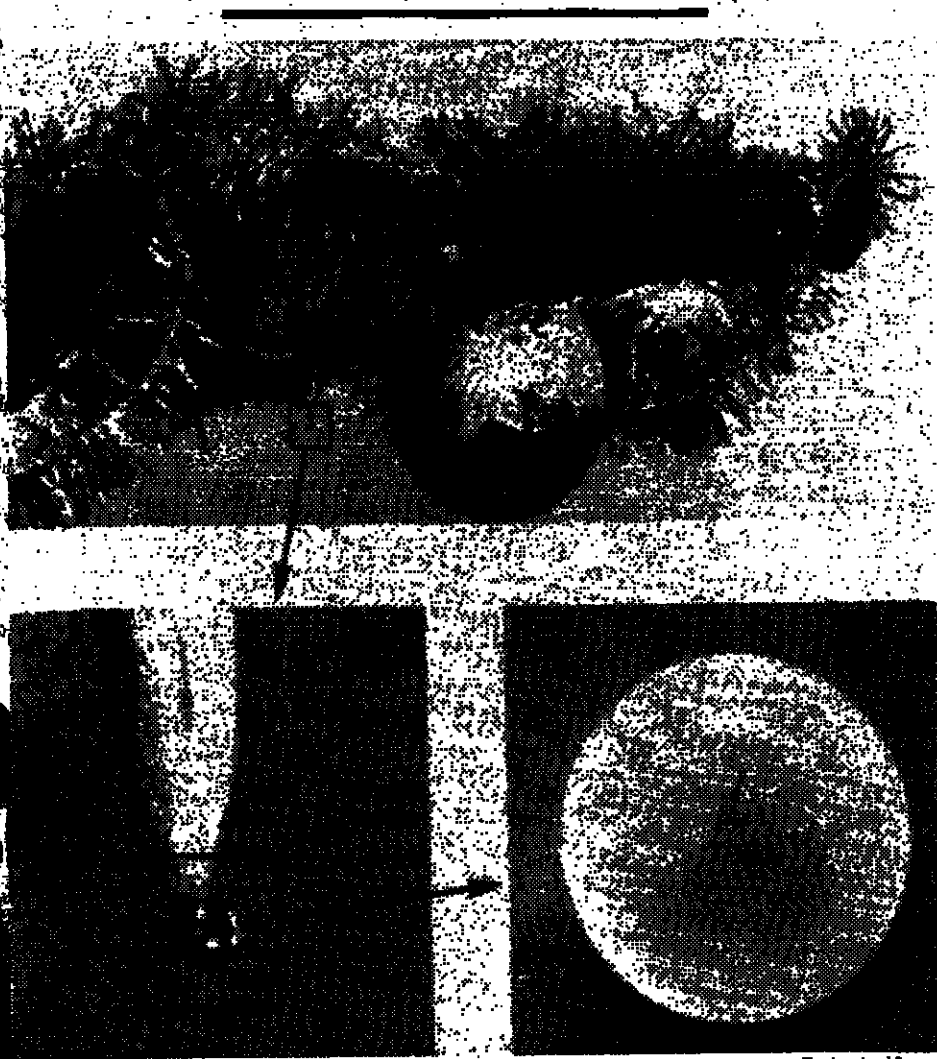
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AMERICAN TOPICS



TINY ORNAMENT — Workers at Lawrence Livermore Laboratory in Livermore, California, have made what they contend is the world's smallest Christmas tree ornament. Above, a square locates the hollow glass ball, hanging from a pine needle. The ball, magnified below, was etched with a laser to say, "Merry Christmas 1985."

Texas Rules on Rights Of Poor in Hospitals

The Texas Health Department has adopted stringent new regulations designed to prevent private hospitals from shutting seriously ill patients whom they consider poor financial risks off to public hospitals.

The regulations are intended to stop recent incidents of turning away patients without insurance — including a woman in labor and a man with third-degree burns.

On a national level, the U.S. House of Representatives is considering legislation requiring that patients be evaluated and given "necessary stabilizing treatment" before being transferred for economic reasons. The Texas regulations prohibit the transfer of patients for economic reasons altogether.

Short Takes

When Klagen Brewster Jr. left the presidency of Yale University eight years ago, his preoccupation with the political and social issues of the day no doubt had made Yale a more vibrant and vital institution, but the endowment was stagnant and the buildings decaying. His successor, A. Bartlett Giamatti, 47, who is retiring now in favor of Kenneth C. Schmidt Jr., 43, raised the endowment from \$545 million to \$1.35 billion and spent

\$20 million on deferred maintenance. "Call me Bart the Refurbisher," Mr. Giamatti told The New York Times. "My ego is less wrapped up in creating new edifices than in restoring existing ones. My motto has been: Get your ducks in a row."

Detroit's "People Mover" automated monorail system will circle a 2.9-mile (4.7-kilometer) elevated downtown loop, if it is ever finished. It is a year behind schedule, \$73 million over its original \$137-million budget and many of its 100-ton overhead beams began to crack soon after erection. With Detroit's population dwindling and the big downtown department stores gone or moved to the suburbs, officials wonder whether the People Mover will have enough riders when it opens, supposedly in the spring of 1987. It already has been nicknamed the Train to Nowhere and the Mugging Mover.

Frank Field, weatherman and science reporter at WCBS-TV in New York, won a decade-long campaign to get diagrams illustrating the Heimlich maneuver, a technique to dislodge food from the windpipe, posted in all New York City restaurants. Last month Mr. Field himself got a morsel of roast beef stuck in his throat while dining in Manhattan with a colleague, the sports reporter Warner Wolf, who neatly executed the maneuver. Mr.

Field said, "Warner had never done it, but he had seen me demonstrate it on television."

Preservationists are working to save the now-tumbledown, two-story house at Newbury, Massachusetts, where John F. Kennedy was born. The house, known as "The Late George Apley," a novel that won the 1938 Pulitzer Prize. The Massachusetts legislature is considering whether to designate the isolated property a historical monument.

Shorter Takes: The 90-cent fare on New York City subways and buses will go to a dollar Jan. 1. Tolls on bridges, commuter railroads and buses also will go up, but the Staten Island-Manhattan ferry remains at 25 cents. Colbie Bridges, 41, who for three years had been selling bricks ripped from derelict buildings in Newark, New Jersey, was killed when he pulled one too many bricks out of an abandoned three-story tenement and it collapsed on him. Jack Daniels, a disc jockey at radio station WLIR in Davenport, Iowa, was suspended for three days after playing "Grandma Got Run Over by a Reindeer" 27 times in three hours despite orders from the program director to stop. He was reinstated after a flood of calls, including some from abroad, supported him.

—Compiled by ARTHUR HIGBEE

U.S. Congress Fails to Agree on Bill to Reduce Deficit

The Associated Press

WASHINGTON — Congressional adjournment was delayed again Friday, as the Senate and House of Representatives failed to resolve arguments on a legislative package aimed at reducing the federal deficit by \$74 billion.

"Vote so we can go home and say that we did reduce the deficit," Representative William H. Gray 3d, a Republican of Pennsylvania and chairman of the House Budget Committee, asked his House colleagues. "The red ink is drowning this country."

But each chamber twice rejected the other's version of the bill, and legislators decided early Friday after meeting for 15 hours to take a

nine-hour break before trying to end the stalemate.

One result of the wrangling was that the federal cigarette tax automatically dropped from 16 cents to 8 cents a pack at midnight Thursday. The deficit-reduction package contained a provision making the 16-cent tax permanent.

"We've been here too long," said the Senate majority leader, Robert J. Dole, a Kansas Republican. The session had been scheduled to end in October.

■ **Appropriation Bill Approved**

Earlier, Jonathan Fairbringer of The New York Times reported: Congress took a big step toward adjournment Thursday when the

House, on a vote of 261-137, and the Senate, on a voice vote, approved the catchall appropriation bill for the rest of 1986.

The last battle of the year came down to the issue that had dominated the longest congressional session of Ronald Reagan's presidency: the federal government's budget deficit.

Under strong political pressure to approve a deficit-reducing package, House and Senate conferees agreed Thursday on the tax portion, the last element needed.

But disagreement soon resurfaced over a provision, proposed by the Senate and accepted by the House conferees, for a tax on man-

ufacturers to pay for a \$10-billion program for toxic waste cleanup.

The House narrowly defeated such a broad-based tax while voting on separate legislation earlier this month, choosing a tax limited to the petrochemical industry.

Opponents of the tax in the House said they would try on the floor to strip the entire waste cleanup program from the deficit-reducing legislation.

Senator Bob Packwood, a Republican of Oregon and chairman of the Finance Committee, then vowed the Senate would not accept the deficit-reducing plan unless the waste cleanup program was in it.

This turned the last key vote of the year into a tense battle.

The 1985 session started with a push, led by Senate Republicans, to bring federal deficits under control. It was also marked by clashes between the White House and Congress, with Congress taking the lead on some key domestic issues, including the deficit.

One of the most significant results was the end to the president's steady buildup of the Pentagon budget.

There also were clashes on foreign policy, with House Democrats forcing Mr. Reagan to accept non-military, rather than military, aid for the rebels fighting the Nicaraguan government. The House also forced Mr. Reagan to impose economic sanctions on South Africa.

Israel Returns U.S. Spy Documents

Statement Says Cooperation on Intelligence Has Resumed

United Press International

WASHINGTON — The United States and Israel announced Friday that Israel had returned the documents taken by Jonathan Jay Pollard, an accused spy, and that close cooperation on intelligence matters between the two governments had resumed.

The U.S. State Department also said that the Israeli unit involved in the spy case had been disbanded. Mr. Pollard, a former civilian intelligence analyst for the U.S. Navy, was arrested Nov. 21 on charges of selling classified information to Israeli contacts in Washington.

The announcement by Charles Redman, a State Department spokesman, came after a U.S. team, led by the department's top legal adviser, Abraham Sofaer, said it had completed its investigation into the Pollard case.

The team was in Israel for a week to interview those allegedly involved in the case. Mr. Redman said the Israelis said they had returned all the documents taken by Mr. Pollard and that the Israeli unit involved in the spy case had been disbanded.

That unit has been identified by officials as the covert intelligence-gathering wing of a scientific research unit known as LEKEM. The Israeli government "acted to prevent any repetition of such activities," Mr. Redman said. "The U.S. government regards these measures as constituting the cooperation contemplated by the two governments."

A spokesman for the Israeli Embassy said the statement, while it was put out by the U.S. government, "was perfectly acceptable to us."

Mr. Redman said the normal flow of intelligence information between the two governments has resumed.

Under a 1981 agreement, the United States and Israel share most intelligence information, but they also agree not to spy on each other.

■ **Cooperation Resumed**

William Claiborne of The Washington Post reported earlier from Jerusalem: Despite tensions over charges that the U.S. government had exerted pressure in an attempt to force fuller disclosure of official Israeli involvement in the espionage case, no recriminations sur-

facted as the U.S. investigative team left Jerusalem.

"The spirit of cooperation prevailed, even if it had to overcome obstacles sometimes," a senior official in the Foreign Ministry said Thursday night.

The official was referring to Israel's decision to make available to the U.S. investigators two Israeli science attaches who had been identified in press reports as Mr. Pollard's contacts in the Israeli Embassy in Washington.

The Israeli diplomats, Ilan Ravid and Yosef Yagur, who both left Washington shortly after Mr. Pollard was arrested, retain diplomatic immunity.

The U.S. team also reportedly interviewed Rafi Eitan, a former adviser on counterterrorism to Prime Minister Shimon Peres and Mr. Peres's predecessor, Menachem Begin.

Mr. Eitan has been identified by Israeli sources as the head of LEKEM.

Meese, 3 Envoys Discuss Attacks on Arabs in U.S.

By Ronald J. Ostrow

Los Angeles Times Service

WASHINGTON — Ambassadors from three Arab nations have met with Attorney General Edwin Meese 3d to express concern about the safety of Arabs and Arab-Americans in the United States, citing recent bombings against Arab-American targets.

Mr. Meese told the envoys at the Department of Justice on Wednesday that the United States "will do whatever it can to find, arrest and prosecute" those responsible for the violence, a department spokesman, Patrick S. Korten, said Thursday.

Mr. Korten said that the Syrian ambassador, Rafic Jouejat, the Malaysian ambassador, Abdulah Ould Daddah, and the North Yemeni ambassador, Mohsin Alami, were speaking for all of the Arab ambassadors to the United States.

He said that the director of the Federal Bureau of Investigation, William H. Webster, also met with former Senator James G. Abourezk, head of the American-Arab Anti-Discrimination Committee. Mr. Abourezk said after the meeting that he was satisfied that the FBI was investigating the violence.

The FBI director warned last week that Arab-Americans were in a "zone of danger" from an unidentified group that is targeting persons it deemed to be "enemies of Israel."

Last month an FBI spokesman attributed to the Jewish Defense League the Oct. 11 bombing of the

American-Arab committee's office in Santa Ana, California, in which the group's West Coast director, Alex M. Odeh, was killed.

The spokesman also cited the Jewish group, which repeatedly has denied responsibility for the violence, in two earlier bombings of suspected Nazis in Paterson, New Jersey, and Brentwood, New York.

On Aug. 16, a pipe bomb found outside the committee's Boston office exploded and injured two police officers.

Investigators have questioned whether the Washington headquarters of the American-Arab group was the target of a "very suspicious" fire on Nov. 29. The blaze is thought by the authorities to have started two floors below, in the office of a public relations company, Susan Davis & Associates.

The company's clients have included Egypt and the breakaway Turkish Republic of Northern Cyprus.

Miss Davis said Thursday that her organization had received no threats before or after the fire, which is under investigation by the Treasury Department's Bureau of Alcohol, Tobacco and Firearms, assisted by the FBI.

In a related development Thursday, the Arab-American Institute said that the U.S. Civil Rights Commission has agreed to conduct hearings in February on civil rights concerns among Arab-Americans. James Zogby, the institute's executive director, had asked the commission's chairman, Clarence M. Pendleton, for a hearing.

Baboon-Heart Transplant for Fae Called 'Wishful Thinking'

By Sandra Blakeslee

New York Times Service

OMA LINDA, California — attempt 14 months ago to save a infant by giving her a baboon heart was doomed to failure and outlook of her surgical team tainted by "wishful thinking," according to a new medical review as case.

he comments came in an editorial in Friday's issue of The Journal of the American Medical Association. The infant, known as Baby Fae, died 20 days after the opera-

an article in the same issue, by Fae's surgeon, Dr. Leonard Bailey of the Loma Linda University Medical Center, said he had a human heart transplant. "A reasonable investigator would not conclude that the cause of Baby Fae's death was not yet been determined. According to Sandra L. Neilsen-Candia, an immunologist who works with Dr. Bailey, the autopsy revealed "a complicated, unclear case."

He added: "The heart was in by a combination of factors."

It was not rejected in the classical sense."

Despite the uncertainties, Dr. Bailey said there were compelling reasons to continue experiments in transplanting baboon hearts into human infants.

From 300 to 2,000 infants are born annually with the fatal heart defect, hypoplastic left heart syndrome, he said, explaining that such infants are essentially born with half a heart and that most die within a few weeks.

A corrective surgical technique is being tried on some of these children but, according to Dr. Bailey, the surgery is just as risky as a baboon transplant. Baby Fae was born with this defect.

Another infant with the defect, known as Baby Moses, received a human heart transplant from a brain-dead baby at Loma Linda last month. The baby is making "excellent progress," Dr. Bailey

said, "and as of today he is thriving to watch."

He said finding a human heart for Baby Moses was a stroke of luck and that human infant donors were extremely scarce. Animal-to-human transplants can fill the gap, he said.

Dr. Bailey's critics say he is well-intentioned but off the mark. In the editorial, Dr. Olga Jonsson of Cook County Hospital in Chicago and Dr. Mark A. Hardy of the Columbia College of Physicians and Surgeons in New York City said that not enough was known about crossing the species barrier to warrant more transplants at this time.

Although the operation was technically feasible, they said, a human recipient is destined to form antibodies against a baboon heart and reject it. Antibodies are substances formed by the body to kill agents they recognize as foreign.



New hearts are at work for Mary Lund and Baby Moses.



New hearts are at work for Mary Lund and Baby Moses.

Adult humans have very specific antibodies in their bloodstream that recognize baboon tissue as foreign. At this time, they said, there is

no way to safely suppress this antibody activity. They also said baboons were not close enough to humans, in terms

of genetic similarity, to be good candidates as transplant donors. Chimpanzees and gorillas are considered closer, but cannot be bred in large numbers.

They said Dr. Bailey exhibited "wishful thinking" in considering Baby Fae's immune system to be immature.

■ **Transplant Patient Improves**

The first woman to receive an artificial heart is continuing to improve as she enters the second day since the implant of a new, smaller Jarvik-7 pump, according to officials in Minneapolis quoted by The Associated Press.

Mary Lund, 40, a nursing home secretary, has a better than 50-50 chance of surviving, Dr. Frederick Gobel, a cardiologist, said.

"She is responding to questions," Dr. Gobel said. "Her lungs seem clear, and bleeding is not a problem."

CHURCH SERVICES

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AL BAPTIST CHURCH, 13 Rue du Commerce, 75006 Paris. Metro St. Sunday worship in English 9:45. Rev. A. Sommerville. Tel. 7.67.02.

PARIS SWISS

AL BAPTIST CHURCH, 56 Rue des Minimes, Rueil-Malmaison. English. 9:30. Rev. A. Sommerville. Tel. 7.67.02.

STOCKHOLM

AL BAPTIST CHURCH, near city center. Christian fellowship. Sunday 11:00. Tel. 31.60.11, 151.22.5.

BRUSSELS

AN LUTHERAN CHURCH welcomes by 9 a.m. Christmas Eve 8 p.m. Jan. 2. Welcomes St. Pierre. Tel. 771.32.40.

THE HAGUE

Protestant Church of the Netherlands. Christmas Eve 8 p.m. Jan. 2. On the 24th of December 1985.

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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Bonn's Ambiguity on SDI

After about a year of internal debate, the West German government has come up with a policy declaration stating its intention to send the economics minister, Martin Bangemann, to Washington in January to start negotiations for an "improvement" of the legal, technical and economic conditions in which German companies and scientific institutes could participate in President Reagan's program of research into a space-based missile defense system.

The declaration could hardly be more labored and anticlimactic. Although it contained a passing reference to a more positive declaration made in April, it bears little resemblance to the ringing pledges of political support for Mr. Kohl's initiative that Chancellor Helmut Kohl has made in the past. The very choice of Mr. Bangemann betrays the government's need to stress the economic aspects of SDI in the face of the continued inability of the coalition parties to agree on the underlying strategic and political implications of the American project.

Foreign Minister Hans-Dietrich Genscher, who would have been the logical envoy, was not the right man because he continues to be opposed to the U.S. initiative.

The German government itself will play no role in SDI and will provide no funds for it, the policy statement says.

It is difficult not to suspect that Mr. Bangemann's mission is a face-saving device intended to permit Mr. Kohl to continue in his role of Mr. Reagan's trusted friend while at the same time seeking to reduce the danger of provoking the Russians and prevent

the dispute within his coalition from getting out of hand. Horst Telschik, the chancellor's foreign policy adviser, had argued that it was the German companies that are interested in SDI that had requested the government to become their emissary and protector on such issues as pricing, technology transfers and property rights on which they may disagree with the American authorities.

The ambiguity of the German position reflects the dilemma that is facing all the European members of the Western alliance. Research on Mr. Reagan's project has begun and will continue regardless of the misgivings that Western governments and scientists, Americans as well as Europeans, have about it. This particular train has left the station, as the German weekly Die Zeit remarked the other day. But all else is still in balance, including the question whether the train can be made to stop at the line between research and deployment of weapons.

Governments do not want to be fully committed before they see more clearly, and European industries and scientific institutes do not want to see any doors closed. Government officials and private industrialists and scientists are watching closely to see how the project evolves in Washington and what its impact is on U.S.-Soviet relations after Geneva.

Britain is the only country so far in the North Atlantic Treaty Organization to have signed an agreement intended to give government backing to companies that are interested in SDI.

INTERNATIONAL HERALD TRIBUNE

Mr. Shultz's Worthy Outburst

Normally a placid man, George Shultz erupted at a press conference in Belgrade when the Yugoslav foreign minister started making the usual flabby excuse — that you have to take account of the underlying political "cause" — for terrorism by the Palestine Liberation Organization. Hijacking, murder and torture, the secretary of state said heatedly, referring to the Achille Lauro affair, whose mastermind the Yugoslavs had helped to flee, are "not justified by any cause that I know of. There is no connection with any cause. It's wrong," Mr. Shultz even, it is said, turned red and banged his fist on the table.

No sooner had the secretary spoken, of course, than the usual fussbudgets started fretting that somehow his statement might have damaged relations. Think of it: A ranking Yugoslav had just had the gall to defend his country's coddling of a criminal responsible for killing an American and terrorizing hundreds of other people. But, by the fussbudgets, that is not considered to be something that might damage relations. The murmured reprimand is saved for the fellow who says a plain and true word in response.

Think of this, too: Few countries have been plagued more by terrorism, and face a greater menace from it, than Yugoslavia. As desperate

as the regime may be for commercial or other reasons to ingratiate itself with Libya, Iran and Iraq, it should be among the last to go around making excuses for anti-Israel terrorism. For those same excuses — they boil down to a stated need to treat the political "causes" — can just as easily be invoked by those who attack Yugoslavia's ruling Communists. If Yugoslavs do not have the courage to condemn all forms of terrorism, they should have the discretion to stop apologizing for some.

A new rule needs to be engraved in everybody's mind: Nobody who uses terrorism as a means is entitled to have his political purpose taken seriously as an end. Yes, those who use terror often — though not always — do so in the name of a political cause. In those circumstances, however, to reward the cause merely invites more terror. And as an increasing number of Communist and Third World nations have found, this curse is not always limited to the world's designated pariahs.

The United Nations had another vote just this week categorically, rather than selectively, condemning an especially menacing form of terrorism, kidnapping. This is the right way. If Mr. Shultz hears any more of the old two-faced apologies, let him bang the table again.

— THE WASHINGTON POST.

Other Opinion

Unusual Alliance on Terror

Russia has joined America at the United Nations in declaring that it is against terrorism "wherever it comes from." If so, it is quite a change of heart. Russia and its allies, not to mention their zany friends such as Libya and South Yemen, have for many years provided a significant source of arms, encouragement and sometimes training for terrorists. Do the fine new words mean anything?

Possibly. The Communist countries have never before voted as a block for an anti-terrorist resolution as pointed as the one passed by the UN General Assembly on Dec. 6. There has been speculation that the atmosphere of goodwill that has followed the Reagan-Gorbachev meeting may have something to do with Russia's new attitude. A bigger reason is that Russia has risen to No. 7 on the list of countries hit by terrorism.

It will be a year or two before it becomes clear whether Russia has given up harboring, arming or turning a blind eye to anti-Western terrorists. A good first step, if Mr. Gorbachev's conversion is real, would be for him to lean more heavily on his Syrian protégés to obtain the release of the American, French and British citizens held hostage by Moslem zealots.

— The Economist (London).

France Pins Hopes on Disney

In announcing the decision to open a Disneyland [near Paris], Michel Girard, head of the Ile-de-France regional council, spoke of an "historic event." It proves that businessmen from across the Atlantic are confident in France, its economy, technical capacity and political institutions. It also shows that the Americans are no longer intimidated by the French bureaucracy. Paradoxically, their change in attitude is to be credited to the Socialist government.

For the Tokyo Disneyland, it was the Japanese who made the investment. In France, Walt Disney Productions will take the risks. The decision could also pave the way for other American firms which have long preferred London, Brussels or Frankfurt as sites for their European branches.

One notices mixed feelings of surprise and bitterness: surprise at the Socialist government's acceptance of American capital which was turned down in the past in the name of defending French interests. Dressed up in Mickey Mouse outfits, will these American interests become inoffensive? Today the state of France's economy forces it to adopt this "Marshall Plan" of amusement.

— Le Monde (Paris).

FROM OUR DEC. 21 PAGES, 75 AND 50 YEARS AGO

1910: Did U.S. Fleet Smug Germany?
LONDON — The Evening Standard reports (on Dec. 20): "Count Ernest Reventlow, Germany's eminent naval expert, denounces the fraternizing of the Americans and English during the recent visit of the American fleet to English ports. The Count says that the omission of the American fleet to visit Germany during its sojourn in European waters is an act of unfriendly character. He says that it is quite demonstrative for an American fleet to come all the way across the Atlantic and then visit only England and France. 'I should like to point out,' he said, 'that in the United States people are always ready to make much of connections between Germany and America dating from past times, but in all these friendly words I have never seen any proofs of German-American friendship in the present.'"

1935: Senator Sees War with Japan
WASHINGTON — A storm of protest was aroused among anti-war circles (on Dec. 20) by the statement of Senator Key Pittman, Nevada Democrat and chairman of the Foreign Relations Committee, that the United States would inevitably have to go to war with Japan if the combined navies of the United States and Britain did not stage a demonstration of strength [by maneuvering near Japan] which would make that country listen to reason. According to the Senator the United States will be forced into a war in the Pacific if the militaristic government continues in Japan. The National Council for the Prevention of War demanded that the Roosevelt Administration disavow the speech. "Senator Pittman's jingoism is a menace to our national welfare," said a spokesman of the organization.

Court Action, Not Words, Needed to Fight Terrorism

By Neil C. Livingstone and Terrell E. Arnold

LOS ANGELES — To the category of meaningless gestures, add the United Nations' condemnation last week of international terrorism.

After more than a decade of debate, the chief sponsors of world terrorism joined with its victims to declare acts of terrorism as criminal. The resolution contained a definition of terrorism only slightly less ambiguous than the genealogy of a barn full of cats, and lacks any sanctions or enforcement mechanisms to dissuade nations from using terrorism to achieve their national objectives. It will not save one life or prevent one attack, and is a reminder of the frustrations associated with trying to use law against terrorism.

Nations victimized by terrorism have increasingly resorted to the use of force, whatever the risk, to combat it. However, while the judicious use of force may be the best answer in some situations, we cannot afford to give up on efforts to find appropriate legal mechanisms to secure the extradition and prosecution of terrorists who commit crimes abroad against the citizens and interests of our nation. What is needed are more imaginative applications of the law to the problem.

Now comes news of an effort under way in Washington to seek the indictment of Yasser Arafat in connection with the murders in 1973 of Ambassador Cleo Noel of the United States, G. Curtis Moore, a charge

d'affaires, and a Belgian diplomat, Guy Eid, in Khartoum, Sudan. While the Palestine Liberation Organization's "Black September" was implicated at the time, Mr. Arafat's role was a source of controversy. Now, new information has surfaced suggesting that the whole operation was planned with his knowledge and direction, and that he personally gave the order to shoot the three hostages.

In addition to various State Department cables that seem to confirm Mr. Arafat's role, the U.S. government is reported to have on tape an interception of the telephone conversation between the PLO leader and the killers. Armed with this and additional information, a coalition of groups led by former U.S. deputy UN ambassador, Charles M. Lichenstein, recently contacted the attorney general, Edwin Meese III, to press for Mr. Arafat's indictment. Word from the Justice Department is that the matter is still under active consideration and that Mr. Meese has not yet made up his mind.

Any effort to reopen the case raises a number of sensitive legal and political issues. There are those at the State Department and elsewhere in the U.S. government, including friends of the slain Americans, who harbor no love for Mr. Arafat but nonetheless maintain

that he is the least of many evils. They do not believe that any positive good could be achieved by further weakening him, thereby strengthening his more radical rivals for leadership of the PLO.

Moreover, there are serious questions relating both to jurisdiction and evidence that must be settled before any indictment could be

America has had little success in dealing with terrorists. It is time to reverse that trend.

handed down. For example, even if the existence of the tape of Mr. Arafat ordering the murders can be confirmed and the text of it made public, it must be established that the voice on the tape belongs, beyond any doubt, to Mr. Arafat.

The question of jurisdiction may be easier to overcome. A federal court has held that crimes against the law of nations are "punishable under American law regardless of the nationality of the victims or the geographic location of the crimes." A federal statute was enacted in 1976 asserting U.S. government jurisdiction in crimes against interna-

tionally protected persons, and the legislative history of the act suggests that Congress intended that the statute could be applied retroactively.

Terrorism threatens not only U.S. foreign policy but also what the noted British historian and civil servant, Harold Nicholson, called "the diplomatic method" — the set of practices and procedures governing relations between nations that has evolved over the centuries. The ancient Greeks were the first to recognize that an orderly international system must be governed by universally established and recognized principles, the most important being diplomatic immunity — the inviolability of diplomatic persons.

Lately, terrorist attacks on diplomats and embassies have reached epidemic proportions. Over the past 15 years, diplomats from 113 nations have been targets of terrorism in 128 different countries. This makes international cooperation and understanding difficult.

The United States has enjoyed little success in bringing to justice those responsible for the deaths of American diplomats and citizens abroad. It is time to reverse this trend. Recent legal action against terrorists involved in the hijackings of TWA flight 847 and the Achille Lauro, and Mrs. Leon Klinghoffer's civil suit against the PLO, represent

the opening of a new front in the war against international terrorism. As President Reagan told the American Bar Association in July: "We will act to indict, apprehend and prosecute those who commit the kind of atrocities the world has witnessed in recent weeks."

Such a strategy not only reaffirms a U.S. belief in the rule of law; it also is a clear signal to the world of U.S. commitment to seeing that justice is done and that terrorists do not go unpunished. Arrest warrants will deny terrorists mobility and access to international support, unless they want to run the risk of capture and extradition by a friendly power. Most of all, outstanding criminal indictments represent a real obstacle when organizations like the PLO seek diplomatic recognition and media approval, because they strip away what is a carefully cultivated facade of respectability.

If Mr. Arafat is guilty of masterminding the Khartoum murders, he must be made to answer for it. An indictment of Mr. Arafat would not be an indictment of all Palestinians, but it would be a recognition that law must prevail over violence. Palestinian interests are best served by people who understand this.

The writers co-authored "Fighting Back: Winning the War Against Terrorism." They contributed this comment to the Los Angeles Times.

OPEC Is Dead, But There's No Need for Mourning

By Charles Krauthammer

WASHINGTON — If the strain of all the goodwill, cheer and generosity of the season has left you thoroughly exhausted, I offer relief: a few minutes of sweet, unmitigated vindictiveness. OPEC is dead. Time for rejoicing.

Assured observers detected the first sign of the end of the oil cartel not in the financial pages, but in the sudden disappearance from American TV screens of the Exxon ads that showed the happy herd milling about in peaceful coexistence with a Texas refinery, proof of Big Oil's neighborliness.

When oil was king, ads could disdain anything so crude as product promotion. No more tigers in the tank. Ads were for image. Seen the ads lately? The tiger, promising better performance and symbolizing good old grasping competition, is back. And so is the oil market.

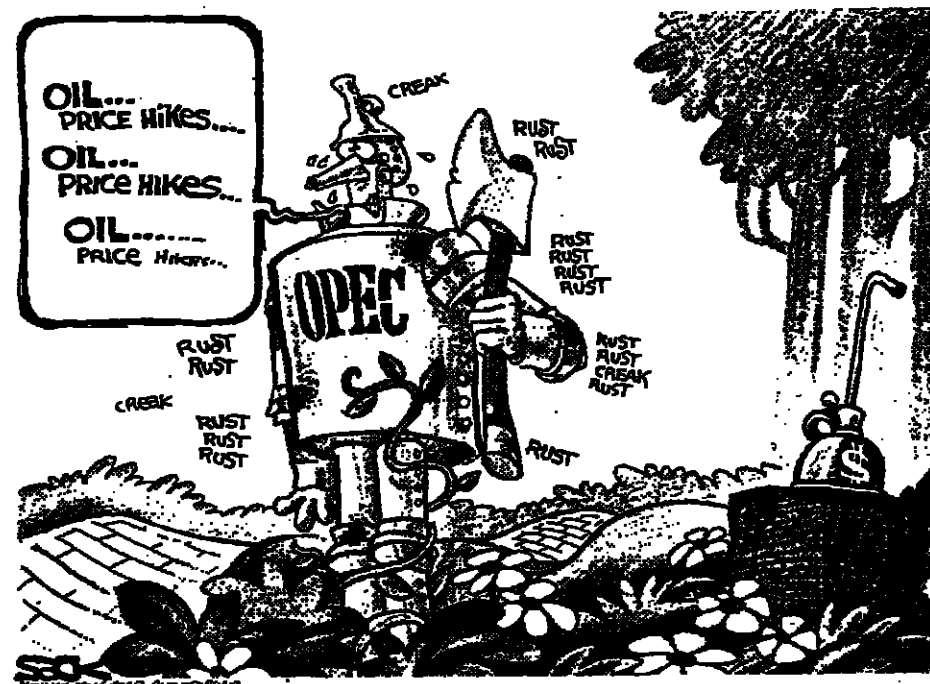
For almost 10 years, the Organization of Petroleum Exporting Countries was the market. But earlier this month OPEC collapsed as a cartel. The massive oil shocks of 1973 and 1979-80 stimulated so much energy conservation and non-OPEC production that OPEC now sells only one-third of the free world's oil, down from almost two-thirds.

Ah, greed. A recent analysis by the London-based Economist shows that had OPEC not raised prices extortionately — say, in accord with GNP increases in the West — it would over the last six years have accumulated exactly the same total income (\$13 trillion). But it would now have a steadier and higher price and a 30 percent greater share of the world market. Instead of being at the edge of a rising income curve, it is now at the edge of a cliff. Who says there is no justice?

OPEC, of course, has another word for greed. At an OPEC meeting this month, Tam David-West, Nigeria's oil minister, said: "Nigeria has made enough sacrifices to promote the ideals of OPEC." The beneficiaries of past OPEC idealism, the battered economies of the West and the ruined economies of the oil-poor Third World, welcome OPEC's retreat from high-mindedness.

The news, however, is not unequivocally good. Oil prices, now at \$28 a barrel, are perched for a fall. Sure, the world market is still \$2 a barrel above where it was a year ago. But that's not the point. There is a very good reason for the fall: the economies, but it carries a threat.

Chevron's chairman, George Keller, once called it the Velvet Trap scenario: A sharp drop in oil prices leads to an increase in oil consumption, a slowdown in energy substitution out of oil, and a



decrease in marginal production from expensive non-OPEC wells, such as those in the Arctic and the North Sea. Gas is gaudied, well shut down, the market tightens and, in the 1990s, the trap closes: a crisis, a panic, another oil shock.

The solution is an oil import fee. Let it go into effect only if the price falls below the current \$28. If the world price is \$18, the tax is \$10. If it is \$23, the tax is \$5. If it is \$28, the tax is zero. That way no one pays more for gas or heating oil than he does today. Such a tax would soak up windfall oil.

The effects are clear. It would keep consumption from rising. (In 1984, with prices falling, U.S. oil consumption rose 3.2 percent.) And, by maintaining at \$28 the price offered domestic producers, it would keep a lot of marginal wells from shutting. Already the expectation of lower energy prices has caused the number of U.S. rotary drill rigs in operation to fall to the lowest level since 1976.

Why would anyone oppose such a boon? President Reagan because he has a tax allergy, and supply-siders because they don't want to take away the stimulative effect of an oil price drop.

Tax allergies are incurable, but perhaps one can reason with supply-siders. An oil import fee does not abolish the stimulative effect of an oil price drop. It merely reallocates it. The money, at \$10 a barrel, \$15 billion a year, is not lost. It simply gets collected by government, instead being passed on directly to oil users as a reward for energy waste.

The point of an oil import fee is to raise the relative price of oil. The windfall does not disappear, nor the stimulative effect. In theory, the oil tax money could be refunded in the form of lower income-tax rates. The Gramm-Rudman era, even the most starry-eyed supply-sider will concede, is not a very good time for that. Well, then, an oil fee could narrow the deficit and obviate the need for corresponding, anti-stimulative spending cuts.

If there ever was a best-of-both-worlds idea, this is it. The last time it was broached in Congress was in July. One colleague put it to Senator David Boren, a Democrat of Oklahoma: "The oil import fee makes so much sense that Congress probably won't pass it." It didn't, but it should.

Washington Post Writers Group.

In Soviet Bloc, Religious Revival Is Gathering Pace

By Richard T. Davies

WASHINGTON — A religious revival in Eastern Europe is creating unexpected difficulties for the Soviet Union and its satellites.

Western commentary has focused on Catholicism: the election of the Polish pope and his visits to his homeland; striking workers hearing Mass behind the gates of the Lenin Shipyard; the attempt to assassinate the pope, connected in some now-obscured way with the Bulgarian — meaning Soviet — secret police; the murder by Polish secret police of Father Jerzy Popieluszko; and the millions of pilgrims to Medjugorje, a remote Yugoslav village where children say that they saw apparitions of the Virgin Mary.

Renewed fervor among Roman Catholics parallels rapid growth of fundamentalist Protestantism in the Soviet Union and Romania. In both countries the hierarchy of the Orthodox Church continues in its historical function as the agent of secular power, which is now Communist.

Throughout the Soviet bloc, increasing numbers of people, disillusioned by the failed promises of Communism, are turning to religion. In the Soviet Union, growing numbers of believers, no longer willing to subject themselves to the chicanery of the "legal" administrative structure, live their religious lives in the catacombs, as do the Uniates, the Orthodox schismatics, and ever-larger numbers of Protestant evangelicals.

Accurate figures about the growth of fundamentalism are not available to the West. But testimony that fundamentalism is the fastest-growing religious movement in those two countries is available in the "Country Reports on Human Rights Practices," an annual survey submitted to Congress by the State Department.

The report covering 1984 contains evidence that, in the Soviet Union, Pentecostals, Action-Group Baptists and Seventh-Day Adventists are specific targets of judicial and extrajudicial persecution. The situation is similar in Romania. And in those totalitarian states, the level of police attention to dissidents is as exact as index as we have of their degree of disturbance to autocracy's rule.

In the Soviet Union, with 250 million people, these Protestant sects

number perhaps 3 million people, scattered in tiny concentrations across nine time zones. In Romania they may be 3,000 in a total population of 23 million. Why, then, do the Soviet and Romanian leaders fear them so? Ultimately, because the Communists fear people whom they can control only by incarceration or murder. People prepared to die for their beliefs lie outside the state's power.

The Soviet ambition is to catch up with Albania which in 1968 became the world's first atheist state. Moscow still has a considerable distance to go, because during World War II Stalin made concessions to the orthodox church in return for its support. Church-state détente lasted until 1959, when Nikita S. Khrushchev ordered the resumption of active discouragement of religious life.

Closing churches does not mean destruction of belief. When Billy Graham visited Soviet churches in 1982, he reported that they were filled to overflowing.

Using repressive 1929 legislation, the Soviets compel the Orthodox hierarchy to collaborate in reducing the numbers of churches and clergy. The hierarchy's subservience has provoked sharp protests from clergymen and lay believers. That collaboration has left the field open to evangelical proselytizers. That is a major reason why evangelical congregations are the most rapidly growing religious groups in the Soviet Union.

In the early 1960s, responding to the new repressions, Baptists formed an Action Group, led by George Vins (now in the United States) and Genadi Kryukhov (now underground in the Soviet Union). The Action Group demands the revision of the 1929 legislation that legally enables the state to regulate religious life; thousands of Baptists have been arrested and thousands harassed.

Last Sunday Secretary of State George Shultz visited Bucharest. He told President Nicolae Ceausescu that if his regime does not moderate its repression of fundamentalists, Congress may no longer accept state department assurances that Romania's human rights practices meet the

Both Ronald Reagan and George Shultz remain opposed in principle to using economic pressure to help religious dissidents in Eastern Europe.

standard required for most-favored-nation trade agreements.

At the Geneva summit, however, President Reagan soft-pedaled criticism of Soviet human rights violations and talked about "quiet diplomacy." He received no quid pro quo for this concession that relieved the Soviet leadership of the only non-economic pressures that could compel some conformity with the Helsinki accords. Both Mr. Reagan and Mr. Shultz are opposed in principle to using economic pressure to help religious dissidents.

Cries for help from Soviet and Ro-

manian evangelicals directed to fellow-Christians in the United States are unanswered. Along with the World Council of Churches and the National Council of Churches, the major fundamentalist groups are intent on maintaining ties with their Soviet-bloc counterparts.

In his authoritative study, "Church, State and Opposition in the U.S.S.R.," Gerhard Simon concluded, "The aim of Soviet religious policy is the destruction of the believing communities from the bottom up, so that finally the facade collapses of its own accord."

Because so many evangelicals refuse to register and will not collaborate with the Communist authorities, they cannot be destroyed from the bottom up. That is why Soviet and Romanian authorities cannot cope with them. That is why fundamentalists' problems should concern Americans who, whatever their religious orientation, hold that people have a right to determine for themselves what they should believe.

The writer, a retired Foreign Service officer, is now president of the Research Center for Religion and Human Rights in Cleveland, Ohio. He contributed this to the Los Angeles Times.

LETTERS TO THE EDITOR

Persecution in Romania

Regarding the report "Shultz Meets Kadar: U.S. Sees Chance of Wider Contact with East Bloc" (Dec. 17):

The clever minions of the U.S. State Department continue to apply toward Communist Romania their so-called policy of "differentiation," which is based on their recognition that President Ceausescu is independent of Moscow. Secretary of State George Shultz was sent to Bucharest to "strengthen the ties" between the United States and the Kremlin. He would have done better to stay in Washington. When human rights misdeeds were mentioned, Mr. Ceausescu referred to how things were under the Turks during the 17th and 18th centuries, when Romanians were saved by the Romanian Orthodox Church. Today not even the

church can help the persecuted. An honest Mr. Shultz might have

GEORGE SERDICU
Secretary General,
Romanian National Peasant Party,
London.

A Miracle in Yugoslavia

The miraculous events at Medjugorje described in your back-page feature, "Yugoslavia Profits From a Miracle" (Nov. 27) should not distract attention from the central message of peace with which they are concerned. Pilgrims return from Medjugorje, as I did, with renewed conviction about the power of prayer and fasting to contribute to peace, first in ourselves as individuals, and consequently in the world at large.

DUDLEY PLUNKETT,
Southampton, England.

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SAUDI ARABIA

SHAPING UP TO THE FUTURE

Economic Development and Expansion

With oil production on the increase again, the Kingdom is now gearing itself for the future after a period of consolidation. Following the completion of massive infrastructural developments, greater emphasis is now being put on the private sector involvement in industry, manufacturing and services.

Revitalized Economic Plan: Challenge for Private Sector to Boost Growth

Saudi Arabia is heading out of the recession which has affected the Gulf states since 1981. Its revitalized development plan emphasizes self-help and diversification of the economy. The Kingdom's decision to restore crude oil production to nearly four million barrels per day — production had fallen at times to nearly half that figure in the past year — has given a fresh surge of confidence. The world's 11th largest trading nation still suffers a current account deficit of \$25 billion for the present fiscal year but — due to more normal conditions — wages, prices and rents are falling. Says Planning Minister Hisham Nazer: "As a result, the cost of implementing projects in the Fourth Development Plan (1985-90) will be far lower than they were during the previous plan period. This downward flexibility in costs is also suggestive of the substantial cost-cutting capacity in the economy, a feature which serves the economy well at all times of lower revenue."

The economy is expected to recover in the fourth plan period for a couple of reasons. Compared with the third plan's final year, when Saudi Arabia was acting as OPEC's swing producer, non-oil activity is rising and output from oil sectors is higher. The Saudi government wants to see a reduced government role, more steps toward the privatization of such state enterprises as the airline Saudia and the hydrocarbons agency Petromin, and deep cuts in the expatriate work force, particularly among those with only manual skills.

With the departure of some 600,000 expatriate workers by 1990, a total of 375,000 Saudis will enter the work force for the first time. By the end of the decade, nearly 40,000 more women are expected to be working, an increase of over 30 per cent. The government is investing heavily in such traditional occupations for women as nursing and teaching in order to serve the needs of Saudi Arabia's youthful and rapidly growing population of over nine million.

According to the fourth development plan, total public spending on civilian and military projects in the five years it covers will reach one trillion Saudi riyals (\$273 billion). The civilian projects

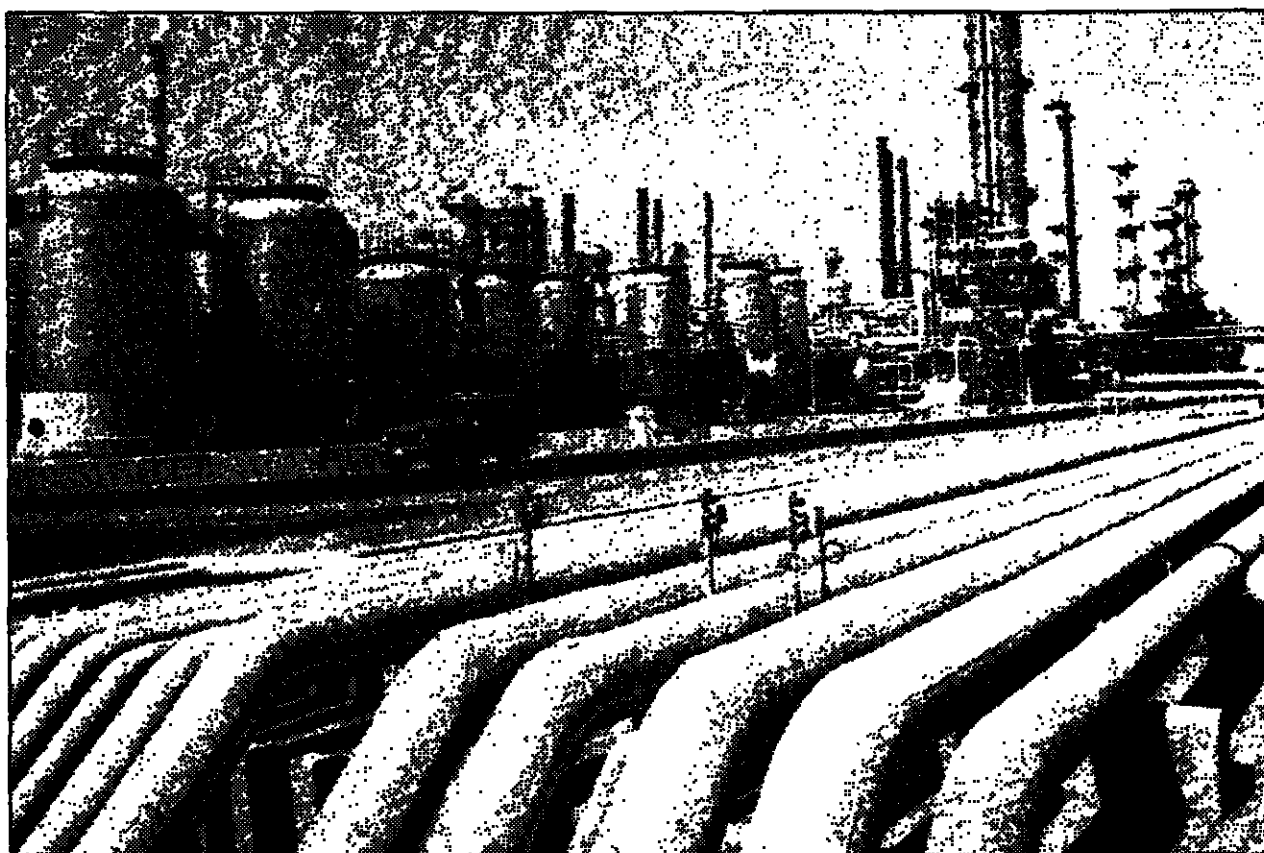
are expected to cost the equivalent of \$188 billion, of which nearly three-quarters will be dedicated to development agencies. As in the third plan, human-resource allocations get top priority: they will account for 27 percent of the total. Vocational training, community planning, motivation of the young and protection of the environment will all receive more attention, now that the basic problems of poverty, endemic disease and disability, all covered by previous plans, are less critical.

The Saudi government wants industry's contribution to the economy to double by 1990, when it will account for some 15 percent of gross domestic product. To this end, Saudi Arabia's principal trading partners — Japan, the United States, West Germany, France, Italy and the United Kingdom — are to be encouraged to set up joint ventures that produce the equivalent of 30 percent of the current value of their exports to Saudi Arabia.

This 30 percent quota was first mentioned in February 1985 at a seminar in Bahrain by Saudi Arabia's Industry and Electricity Minister Sheikh Abdel-Aziz al-Zamil, who estimated that by the year 2000 the Kingdom's imports will have reached the value of \$75 billion a year at current prices, compared to a level of just over \$33 billion in 1984-85.

The new areas of industrial growth highlighted in the plan include the heavy industries run by the Saudi Arabian Basic Industries Corporation (SABIC), the principal government agency involved in the petrochemical industry; a new generation of downstream petrochemical and metal ventures in which the private sector is expected to play a major role; the continuation of import substitutions, a trend which has already made the Kingdom self-sufficient in cement and steel; the expansion of non-hydrocarbon light industries, and large-scale, regionally based industries set up with fellow members of the Gulf Cooperation Council (GCC).

The GCC, an economic and defence alliance grouping which consists of Saudi Arabia, with Bahrain, Qatar, the United Arab Emirates, Kuwait and Oman adding another four million consum-



Petref Export Refinery in Yanbu, owned 50/50 by Petromin and Mobil Oil.

ers, provides a more attractive market than Saudi Arabia alone, whose scattered population is divided between east and west and whose land mass equals that of Western Europe.

The government's prime intention is for the private sector to take the initiative, but it will continue to provide such incentives for local industrial development as low-cost loans through the Saudi Industrial Development Fund (SIDF) based in Riyadh; access to industrial zones with subsidized utilities and low rents; government preferences in purchasing locally made products; customs privileges for new industries; free repatriation of capital

and profits; and a policy of introducing selective tariffs to protect infant industries. Through what is called the offset program, the Saudi government will require large foreign-owned consortiums involved in major defence projects to reinvest up to 35 percent of the value of their contracts back into high-technology service industries in Saudi Arabia.

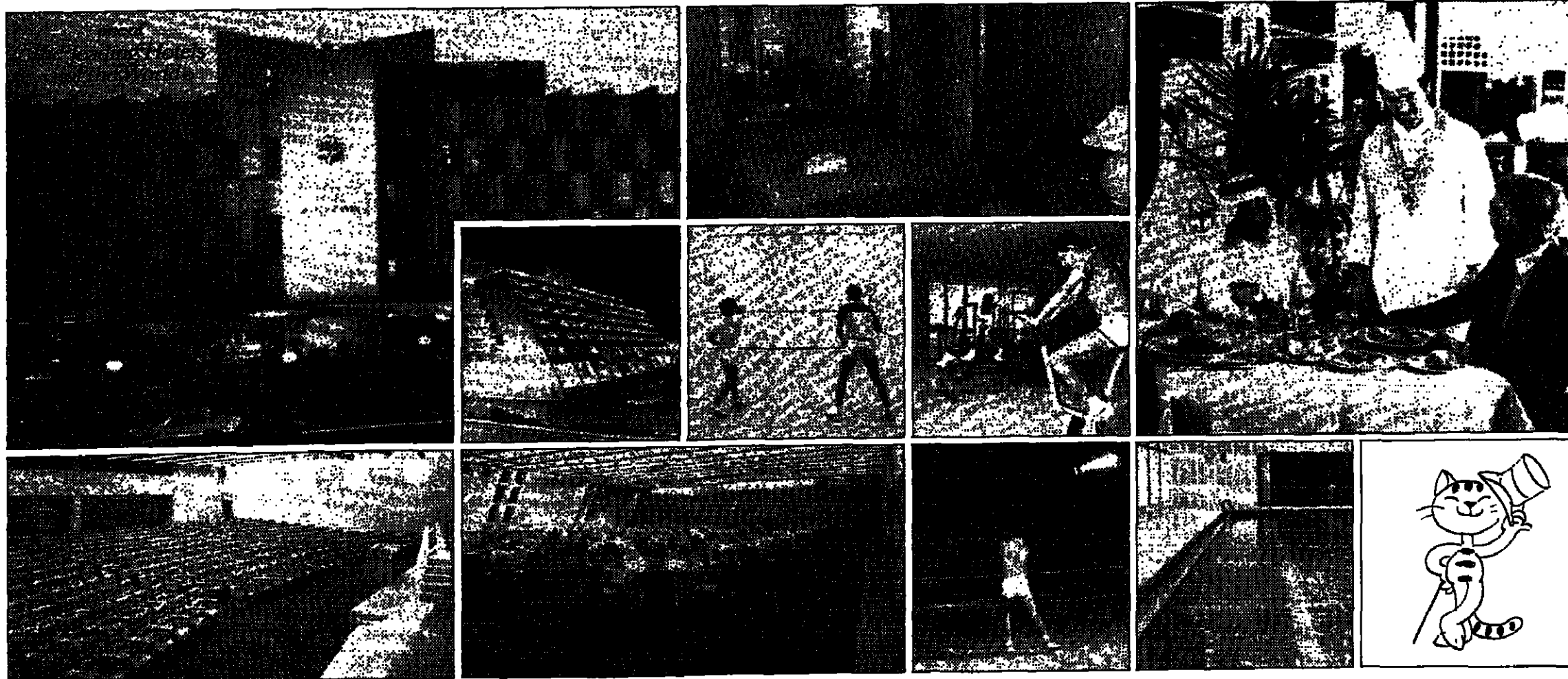
The most notable development of recent months is the close contact established between the Saudi government and the private sector. Among the most vociferous groups of Saudi businessmen

(Continued on page 9)



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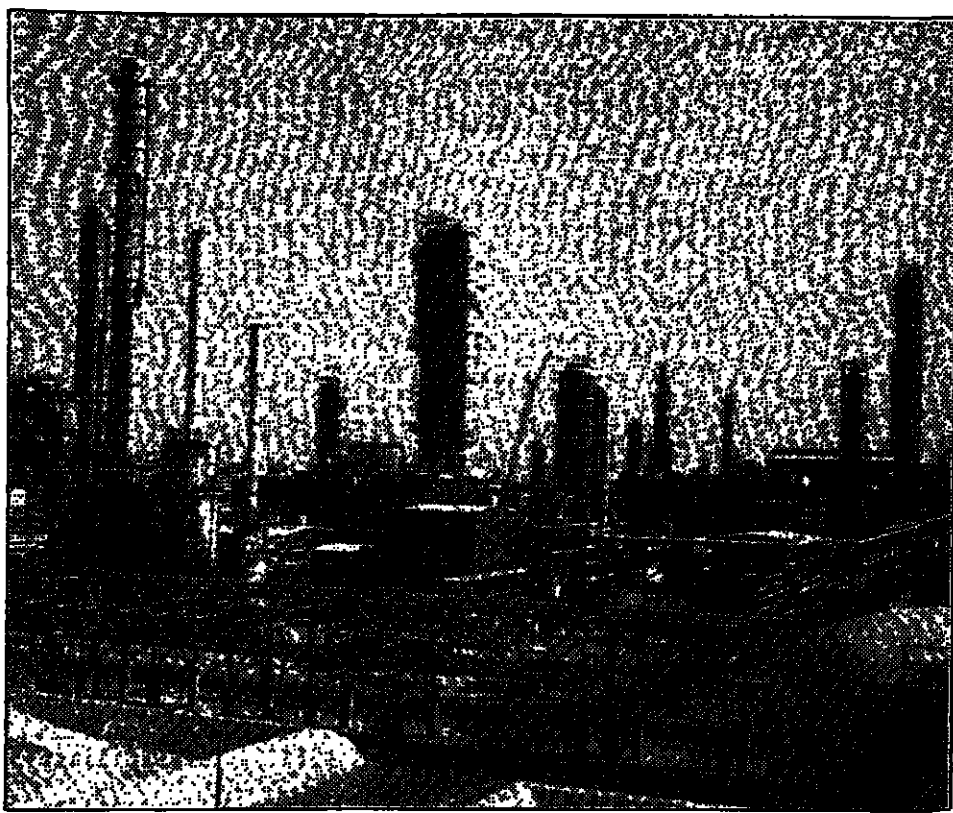
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The Saudi Petrochemical Co. plant (SADAF) in Jubail.

Oil-Based Revenues Increase as Production Rises Again

Saudi Arabia's oil production has seen substantial ups and downs. From 10-11 million barrels per day after the Iranian revolution in 1979, Saudi production dipped to around 2 million barrels per day by mid-1983. After booming out, Saudi oil exports are now moving upward. In addition, the development of petrochemical plants and export refineries has increased the Kingdom's range of hydrocarbon products.

Production is now back to over 4 million barrels per day, and the consequent increase in oil revenues is welcome news to the Kingdom, whose production had suffered when it almost single-handedly carried the burden for the Organization of Petroleum Exporting Countries (OPEC). The Saudis had accepted production cuts and served as swing producers, but OPEC over-production and price discounting continually

chipped away at the Saudis' market share. This came to a halt when the Saudi Minister of Petroleum and Mineral Resources, H.E. Ahmed Zaki Yamani, secured OPEC approval of Saudi netback oil pricing, a system which discounts crude oil according to the value of products refined from it and the cost of transporting the oil to the customer. Netback deals enabled the Saudis to price their Arabian light, medium and heavy crude oils competitively and led to increased Saudi liftings.

In 1984, Arabian American Oil Co.'s (Aramco) average oil production was 3.94 million barrels per day. By mid-1985 production had dropped to a 2.2 million barrel-per-day average. Production of natural gas liquids (NGL) from oil field associated and dissolved gases was 355,059 barrels per day in 1984, compared to 330,102 barrels per

day in 1983. A lot of Aramco sales go through its original partners: Mobil, Exxon, Standard Oil of California (now Chevron) and Texaco. They were bought out when Saudi Arabia nationalized the company, but all maintained close ties with it since then. Aramco's exploration efforts are shared by Arabian Oil Company, Ltd., a joint venture with the Japanese, and Getty Oil.

The General Organization for Petroleum and Minerals (PETROMIN) handles government-to-government deals involving liquefied petroleum gas (LPG) and crude oil. Sales of crude oil during 1984 — included in Aramco's lifting totals — were 1.45 million barrels per day. Sales have been increasing this year due to stabilization of the oil market and to netback pricing on some private sector deals.

Concurrent with the increase

in liftings is the rise in associated gas production. This gas occurs mixed with the petroleum in some oil fields. It was formerly separated from the crude and then "flared" or burned off into the atmosphere. Aramco invested \$12 billion in building the Master Gas System, which collects this formerly wasted gas and uses it as fuel in power plants and desalination units, feedstock in the Saudi Arabian Basic Industries Corp. (SABIC) petrochemical plants, and condensation into LPG. Petromin sells LPG to many customers, including Japan.

The Kingdom has considerably tempered the pace of petroleum development activities this past year. Present liftings are nowhere near the almost 11 million barrels per day common during the boom years. After the completion of the Master Gas System, oil production achieved more importance than simply generating income. Without sufficient oil production, there was, for a while, not enough associated gas to provide power for electricity generation or water desalination. In addition, as SABIC plants came on stream, demand for gas rose.

Because of this, unassociated gas exploitation became a high priority. The major field, Khuff, came on stream this year. Yet even though gas for fuel is not dependent upon pumping oil, the non-associated gas is dry and has none of the more complicated hydrocarbons necessary for LPG. Thus, LPG sales are still oil dependent. Petromin is responsible for LPG sales. In 1984, Aramco's natural gas liquids totaled 129.3 million barrels.

Oilfield exploration continued in the Kingdom, though at a slower pace than previously. Two new oil fields were discovered onshore at Farah and As-Sabha, and deeper oil pools were discovered offshore at Marjan, Safaniya, and Zuluf.

In other fields, estimates of proven reserves were raised. The size of proven gas reserves at Haradh and Shadgum was extended. Likewise, proven oil reserves were extended at Fazzan, Hawiyah, and Manifa.

Overall, 2.2 billion barrels of new reserves were discovered, which more than compensated for the oil pumped during the same year.

Saudi oil exploration over an area of more than 222,000 square kilometers now gives the Kingdom reserves of 166.3 billion barrels of crude, and 122.7 trillion standard cubic feet of gas, enough, say experts, to last well into the next century.

Saudi oil production primarily comes from the eastern region. The famous Dammam No. 7, on March 4, 1938, marked the beginning of Saudi oil production. The massive Ghawar oilfield alone would make Saudi Arabia an oil power. But the Kingdom soon began offshore drilling operations. The Safaniya offshore field was for many years the largest offshore oil field in the world.

Another important source of oil is the neutral zone. The Getty Oil Company secured the exploration rights for the Saudi half of the oil concession. Since then, Getty has accounted for a portion of Saudi oil production, but exact figures on neutral zone production are hard to obtain.

During 1984, some 117 new wells were drilled, both on and offshore. Of these, 104 were development wells, and 13 were exploratory. By the end of 1984, Aramco was running 23 rigs, of which 16 were earmarked for development and exploration, and seven were allocated for workovers. Maintenance of the wells is important. Out of 1,700 wellheads, 1,200 have been provided with cathodic protection against corrosion.

The Kingdom is developing infrastructure to permit exploitation of the Hamur, Lawhah, and Maharah oil fields. They are also working to tap the heavy and medium crude oil that is available from the Zuluf and Marjan oil fields as well.

To continue production, and to locate new reserves, Aramco ran four seismic exploratory trips during 1984. This data, with additional geological in-

formation from core drillings, and flow information from wells, is entered into Aramco's computers. The complicated nature of oil field production and depletion requires processing large amounts of data. This is necessary to maintain operations and still obtain a maximum lifespan for the producing fields. To handle this data, Aramco invested in a Cray 1M-4400 Vector Processor, the world's fastest super-computer. It produces 3-D models of oil fields.

The result of these efforts is continued oil exports. Ports at Ras Tanura and Ju'yaymah on

and pipes onshore grew by 2,000 kilometers (1240 miles) due mainly to acquisition of the 1,200-kilometer East-West Petroline. Offshore, pipelines grew by 300 kilometers. This gives the Kingdom more than 18,800 kilometers of pipelines, of up to 60 inches in diameter. These include 13,000 kilometers of flowlines from 2,050 different wells. Not included in this figure are Petromin's extensive product pipelines which convey products inside Yanbu, Jubail, and to the major international airports.

The major pipeline, the East-West Petroline, was built for

Petroline has assumed greater importance with the construction of an Iraqi pipeline. The Iraqi line has a capacity of 500,000 barrels per day and connects with Petroline to ship crude oil to the Red Sea port of Yanbu. Iraq is seeking to build yet another pipeline — parallel to the existing Petroline — that will carry directly to Yanbu. The goal is to bypass the war zone in the Gulf.

In addition to crude oil, the Kingdom's petroleum industry has a large domestic refinery capacity. Petromin operates domestic refineries in Riyadh, Yanbu and Jeddah. It also has a lubricant base oil refinery in joint venture with Mobil Oil. Two export refineries, in joint venture with, respectively, Shell Oil and Mobil, are in operation. A third, with the Greek firm Petrolia, should be complete in either late 1986 or 1987.

Aramco also operates the Ras Tanura Refinery, which has been undergoing a modernization program. The refinery added a 250,000 barrel-per-day crude unit and a 300 metric-ton-per-day sulfur plant. The sulfur is extracted from sour (sulfuric acid laden) gas and petroleum. Aramco also has a 4,000 metric-ton-per-day desulfurization plant in Jubail.

In 1984, Aramco produced 141,169,796 barrels of refined products and 818,700 metric tons of sulfur. Petromin sold 219.1 million barrels of refined products in 1983, the latest year for which Petromin has sales data. Aramco built the world's largest and longest molten liquid sulfur pipeline from Udh-maniyah, Bani and Shadgum gas plants.

Saudi Arabia's hydrocarbon industry has matured. From simple crude oil sales it moved to LPG and the harnessing of associated gas. Refineries produce petroleum products for domestic use and for export. Petrochemical plants now produce a wide range of products from gas feedstock, such as fertilizer, plastics and chemicals. From raw material to finished products, Saudi Arabia has the hydrocarbon industry covered.



Laying the Jubail-Yanbu pipeline.

the Gulf and Yanbu on the Red Sea handle most of the exports. These ports loaded 2,958 ships in 1984, compared to a high of 4,000 tankers in 1981. Sales were as follows: Africa, 1.9 percent; South America, 3.2 percent; North America, 5.8 percent; Europe, 20.1 percent; and Asia and Australia, 69 percent.

Although tankers transport the crude oil to its eventual destination, it moves by pipeline within the Kingdom. Aramco's network of flowlines

Petromin's Petroline division. However, to economize at a time when pipeline throughput remained low, Aramco was appointed to operate and maintain the pipeline. Petroline's capacity, using 11 pump stations, is 1.85 million barrels per day. Its capacity has been increased by 900,000 barrels per day through the addition of a parallel pipeline. If pump stations are added to the second line, capacity will be the same as for the original Petroline.



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Controlled Expansion at Saudia

Saudia, the national airline of Saudi Arabia, has one of the most remarkable growth stories in the history of the civil aviation industry.

The airline was established in 1945 with the gift of one Douglas DC-3 Dakota to the late King Abdulaziz from President Franklin D. Roosevelt, then President of the United States. From that tiny beginning has emerged, 40 years later, the leading airline in the Middle East, and one that compares favorably in performance terms with many of the airline "giants" of the western world.

Saudia now carries around 12 million passengers a year, has some 25,000 employees and has one of the most modern fleets in the airline industry, to which it is adding all the time. It has 21 Boeing 747s, ten of them the

series 300 version with the lengthened upper deck, two B747F cargoes and 11 Airbus Industrie A300-600s, the high-technology version of this wide-bodied European-made airliner, flown by a two-man flight crew, and with a digitalized cockpit.

Under the direction of its director-general, Sheikh Ahmed Mattar, himself a jet pilot, Saudia has adopted a policy of acquiring aircraft incorporating the latest technological advances, and has expanded its fleet at a rapid pace. In addition to the aircraft mentioned above, it now has in its inventory 20 Boeing 737s, 17 Lockheed TriStars, eight B-707s and a number of Gulfstream executive jets and smaller aircraft. The very pace of this expansion has brought its problems, notably a heavy training program for the

pilots and engineers who fly the aircraft, and the engineers who maintain them. The effect has been to slow down the pace of the Saudization of the airline, but this policy remains a long-term objective of the management.

At the same time that it has been increasing its fleet, Saudia has embraced computerization with enthusiasm, and has widened its route network so that it flies today to many points in Europe, Asia, Africa, and the United States — from Dhahran to Houston and New York in collaboration with Pan American. It also has an extensive regional network throughout the Arab world, and a wide network inside the Kingdom itself, providing access to 22 cities and to remote parts in a matter of hours rather than days as in the case with surface transportation. Saudia also plays a vital role in carrying pilgrims to the holy cities during the Hajj. It has the advantage of operating out of two superb new airports, one at Jeddah, the other at Riyadh, at both of which it has its own terminals.

The King Abdulaziz airport at Jeddah has a special terminal for Hajj pilgrims, designed in the form of a vast desert tent where passengers can wait in comfort for their onward journey on arrival, or for their flight home. The magnificent south terminal at the same airport can handle 3,600 passengers an hour, has 3,500 parking spaces reserved for Saudia travelers and a sophisticated baggage retrieval system.

The expansion of Saudia has always been seen as an integral part of the development of the Kingdom of Saudi Arabia, and the airline has never lacked the funds to service its growth. As the nation's flag-carrier, it is its ambassador abroad, and to this end there is a training program for country management, a comprehensive 30-month course which produces highly qualified candidates for positions such as airport services managers and city ticket office managers. Saudia has over 60 stations on its network, 40 of them overseas. The airline does,

however, have to compete with other fast-expanding Saudi high-tech industries for talented young people coming out of the country's technical colleges and universities. One attraction for potential candidates is that the airline sends some young people abroad, and particularly to the United States, for a spell of technical training.

The airline's management does not forget the position into which it fell in the middle 1970s when it was expanding at such a rate that the demands made on its services became almost overwhelming. By that time, it was very difficult for Saudia to recruit sufficient qualified staff to keep its business running efficiently. The policy in the airline's third five-year plan, for 1980-84, was to take its time and go for a controlled, rather than explosive, expansion.

The current five-year plan continues this careful policy, with Saudia continuing to grow.

Revitalized Economic Plan

(Continued from page 7)

are the contractors. At a March meeting of the Saudi Businessmen's Group in Riyadh, attended by King Fahd, Saudi companies called for local companies to take on all building work. They also called for an end to the system of turnkey contract awards so that local companies could bid for smaller packages.

Says Sheikh Ahmed al-Masoud, general manager of the Manazil Contracting Company of Jeddah: "There are now a number of Saudi companies — and I am talking about Jeddah — which are as big as any of the foreign companies. They can do the same jobs just as well. After 10 years experience of foreign companies we do now have the same capabilities to do the construction work as well as foreign companies."

The Saudi contractors have been helped by a measure introduced in 1983 under which for-

eign contractors must subcontract 30 percent of the value of a government contract to local subcontractors. Many Saudi companies would like the definition of a Saudi company widened to include the joint venture. Says Roger Voegelé, contract director of the Riyadh-based Hazzar Establishment for Trading: "By disqualifying Saudi products and materials made by a mixed joint venture, both contractor and Saudi suppliers are suffering. There are 1,800 factories operating in Saudi Arabia; one third of them are foreign joint ventures, but all are excluded from favored treatment."

According to Mr. Voegelé, the big change over two years ago, when the 30 percent rule was introduced, is that now local availability of raw materials and new and used equipment has improved. In the fields of petrochemicals, plastic raw products, steel, minerals and ag-

ricultural output, local capacity has come on stream. High- and low-density polyethylene, ethylene, ethylene glycol, PVC and VMC, methanol, styrene, caustic soda and sulphuric acid are all locally produced or will shortly be locally produced in Saudi Arabia or neighboring GCC states. These facilities provide a basis from which many of the downstream projects featured in the fourth plan can start before 1990.

On the whole, foreign contractors are happy to work with Saudi companies, though they feel that the real test should be the competence of the local company. Says Ian Reeves, chairman and chief executive of High Point Services Group, of the U.K.: "The trend internationally is toward greater use of subcontractors since this involves syndication of risk." In this respect some foreign contractors working in the Kingdom would be happy to subcontract as much as 75 percent of the value of a project, provided they could still make a profit.

Of more immediate concern to many Saudi companies have been measures recently an-

nounced by the Saudi government to ease the cash flow of all contractors working in the Kingdom. In October 1985 the Ministry of Finance and National Economy said it would no longer be deducting 10 percent of the value of progress payments as a guarantee against satisfactory completion of a contract. Although the details of this decision have yet to be made clear, attorney Thomas Gallagher of the law firm A.S. Omari in Riyadh commented: "This seems to be an important recognition by government that cash-flow problems are important and in need of solution."

For Saudi Arabia, a period of adjustment and normalization will enable the economy to settle down to a more measured pace, but the "panaceas" of an extra three million barrels a day of oil production or a few more dollars on the price of oil will certainly not cure all ills, since the process of growing into an industrial giant will take time as well as money. The fourth five-year plan makes an important step in this direction by calling on the private sector to help boost growth.



Captain Ahmed Mattar, Saudia's Director General, reported that Saudia continued its commendable pattern of growth during 1984. Revenue Passenger Kilometers reached yet another peak at 15.8 billion. Operating revenues of 7.4 billion Saudi riyals (\$2.07 billion) were 7 percent higher than 1983. The net income for 1984 of 380 million riyals compares with 1983's net income of 190 million riyals, and Saudia's operating income increased to a new peak of 138 million riyals.

SAMA's Role Helps to Steady Money Market

From its new headquarters in Riyadh, the Saudi Arabian Monetary Agency is quietly guiding the Kingdom's financial system through a period of great change.

Its chief is Governor Hamad Sayyid, a man of few words who, aware of SAMA's tremendous influence, approaches decisions with caution and a sense of responsibility. SAMA's has a distinct aversion to rocking the world financial boat. Any quick laydown of its reserves, estimated at \$100 billion, can send shock waves through the world economic markets. At one time, SAMA's concern was unobtrusive investment of excess petrodollars. Now, the opposite is true, but the same steady low-key approach is required.

As part of its effort to recycle petrodollars that flooded the Kingdom during the 70s, SAMA invested large amounts in foreign currencies and securities. According to reliable sources, SAMA at one time held \$140 billion. By August of 1984, the amount fell to little over \$100 billion. Lower anticipated oil revenues have forced a continued drawdown of reserves.

But drawdowns tell only part of the SAMA story. SAMA is responsible for overseeing the Kingdom's banks. It has acted to put interest-free government deposits in banks having difficulties. SAMA authorized the Saudi Investment Bank (SIB) to change its name from Saudi Investment Banking Corp. (SIBC) and now permits it to engage in retail

banking. Banking control is handled by Jamaz Submami. The Kingdom's 11 commercial banks are going through a period of adjustment. Many banks took on risky loans in the mad rush to make loans during the oil boom. Now they are paying the price.

SAMA recently issued a circular that requires all banks to report their non-performing loans as either unpaid over six months, or unpaid over a year. This will give SAMA data on the state of the loan market.

In the past year, SAMA has moved forward on creating a Saudi stock market. It now publishes a weekly tabulation of Saudi stocks and their movement. The Kingdom's commercial banks established a company to register shares and record their sales. Banks were also authorized to broker stock deals.

A major innovation is SAMA's new automatic check-clearing system. By using magnetically encoded checks, SAMA will reduce the time required for clearing checks. When this system comes on-line in early 1986, a few months will be required for complete changeover. Afterwards, checks will clear in days instead of weeks, with fewer errors and less manpower.

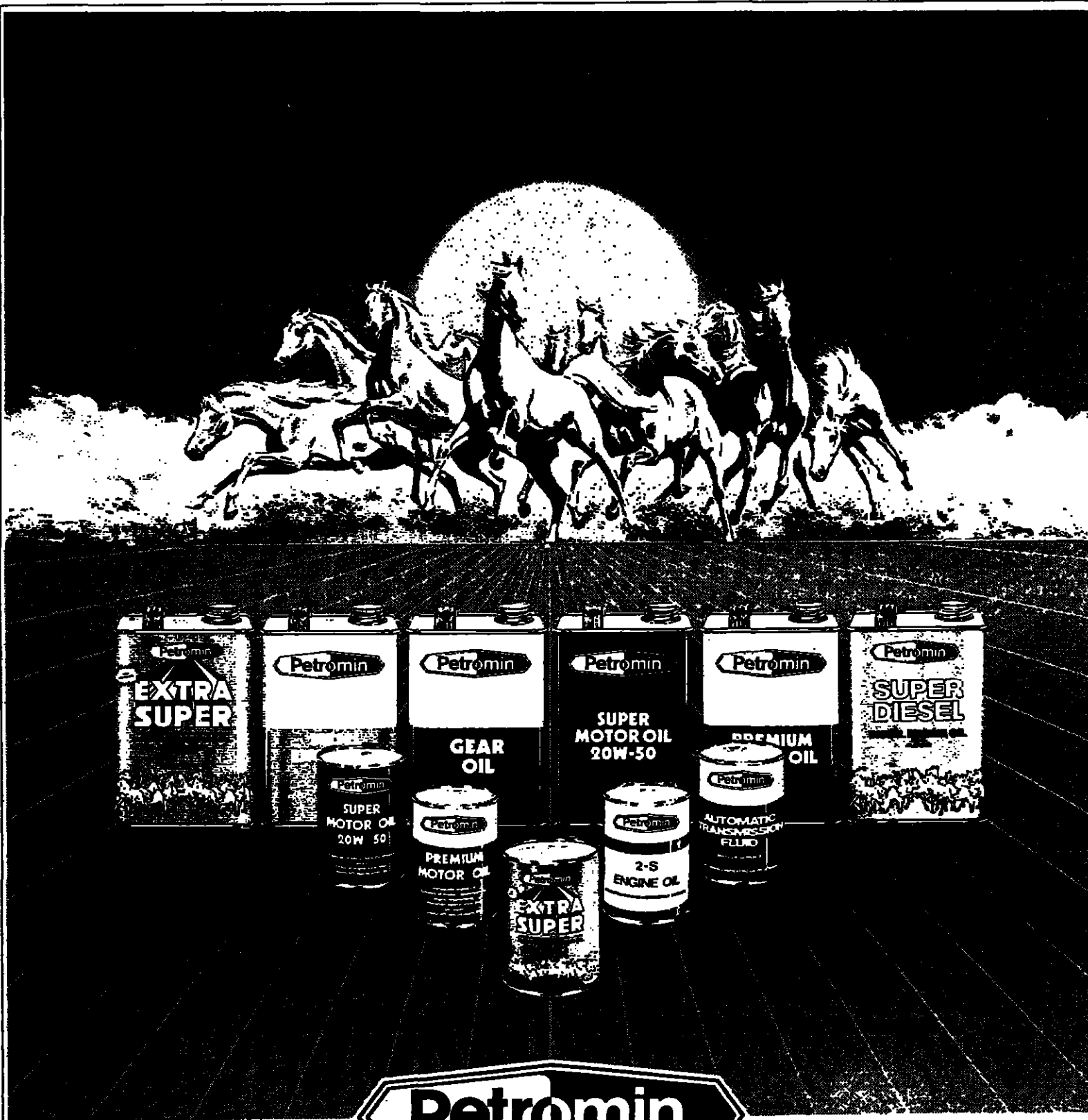
SAMA has admitted the Al-Rajhi Company for Currency Exchange and Commerce into the new clearing system as well. This raised a few eyebrows among the Kingdom's bankers because it confers a quasi-bank status on the Al-Rajhi Compa-

ny, the country's largest money exchanger.

Al-Rajhi Company for Currency Exchange and Commerce will also be the first money exchanger to be changed into a bank. After the collapse of one money exchanger, SAMA required all money exchangers to submit financial reports and refrain from taking current accounts. Al-Rajhi Company for Currency Exchange then decided to become an Islamic bank. The transition should take place in early 1986. Other exchangers are waiting to see how it works out, since some of them intend to convert into banks themselves.

SAMA is presiding over a technological overhaul of retail banking habits. It permitted Saudi British Bank and Saudi American Bank to install automatic teller machines (ATMs). At first, the operating hours of these machines were restricted to bank hours. Now, SAMA permits them to operate until 10 p.m. Other banks intend to install them, including National Commercial Bank and Riyad Bank, the two largest banks in the Kingdom.

The new marble headquarters, built by Philipp Holzmann, marks a new stage in SAMA's development. The biggest problem for SAMA in the boom years of the 1970s was investing money abroad. Now, its attention is drawn to a maturing Saudi economy that faces technological change and increased competition. SAMA, under Governor Sayyid, intends to meet those challenges.



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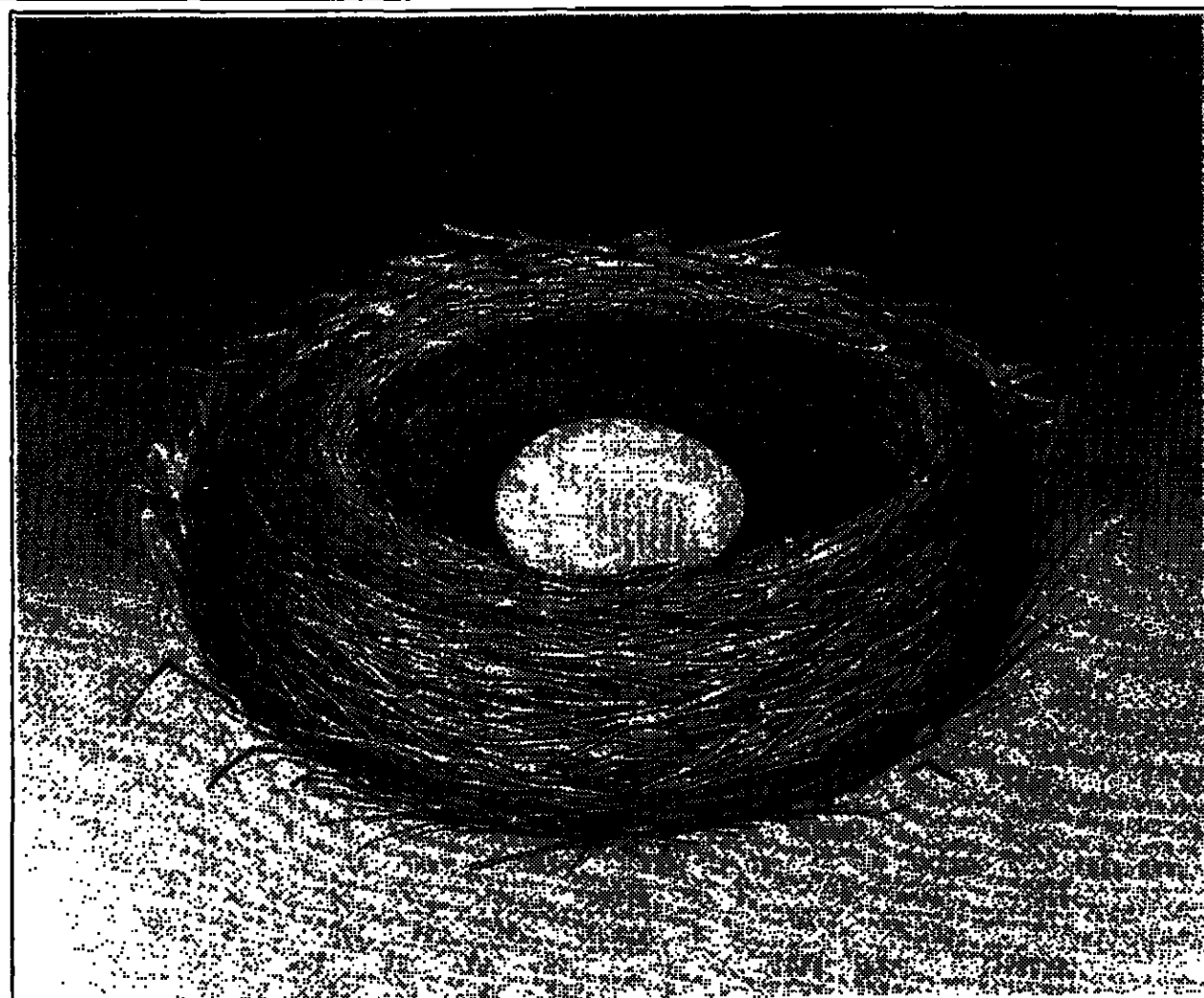
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The National Commercial Bank in Jeddah.

New Technology Helps Boost Banking Services

After nearly a decade of heady growth and, more recently, a period of lower earnings, the Saudi Arabian banking system is now strengthening its position. The Kingdom's 11 commercial banks report lower earnings for 1985. Although the downturn in profits is no surprise to some, to others it is a healthy sign of the system's continuing development.

"Saudi banking is maturing and consolidating," a Saudi banker explained. "The system is becoming more sophisticated." Such sophistication implies lower, albeit stable and more predictable earnings, he added.

He isn't alone in his evaluation. A popular consensus among bankers is that there is reason to be optimistic about the future. "There shouldn't be any crisis of confidence here in the Kingdom as regards banks," said an expatriate banker. "The banks have the full support of the central authorities and they are doing well."

Data compiled by the Saudi Arabian Monetary Agency (SAMA) tends to confirm his point. The combined balance sheets of the 11 commercial banks continue to show spectacular growth. Total assets of the 11 commercial banks stood at 233.5 billion Saudi riyals (\$64 billion) as of July 17, 1985, up

two percent from the same period a year ago.

Loans and advancements rose marginally to 62.9 billion riyals while investments made by banks increased 28 percent to 5.2 billion riyals. Banks also increased their placements with domestic banks by 10 percent to 2.9 billion riyals. Only customer deposits fell slightly, to 101.3 billion riyals.

Besides impressive balance sheet figures, banks have continued to expand their operations. This year, for example, banks took over the operations of the Saudi stock market, and in conjunction with SAMA, they are currently introducing an automated check-clearing system.

Saudi banks continue to innovate. Riyadh Bank recently brought in a new revolving underwriting facility similar to those in Europe and North America. However, it marks the first time that Saudi banks and other financial institutions will be able to participate in medium-term risks by signing up in successive, six-month intervals.

"Banks must be creative here," a French banker mentioned. "The market is always changing and we have to be innovative to match the needs of our customers."

One of the most important

tasks before banks is to encourage use of their services by Saudis. "You have to remember that banking is still developing here," a Saudi banker stated. "Less than half of all Saudis have banking accounts. Banks have always been looked upon with suspicion."

A Western banker agreed, adding, "Banks in the West exist to provide services. Here, banks are used primarily to hold money or issue letters of credit."

To encourage greater bank use, both SAMA and the banks have taken steps to overcome traditional antipathies. Banks now accept electricity and telephone bills, and negotiations are continuing over possible processing of water bills as well. They have introduced ATMs (automated teller machines), which have extended banking hours and made them more convenient.

All banks, but especially Saudi American and Saudi British, have introduced new and sophisticated electronic banking services which permit clients to book up to their banks with the help of a phone line, modem and personal computer. Credit cards have been introduced by Saudi Cairo, Saudi French and Saudi American banks.

SAMA has taken the lead in making sure that banking ser-

vices are available to each of the Kingdom's citizens. All banks have been encouraged to extend their branch networks.

Today, all of the Kingdom's major population centers are serviced by banks, and branches are appearing in far-flung villages as well. The Kingdom has 570 full-time branches and 38 seasonal ones, associated with the Hajj.

SAMA has also been instrumental in spreading the use of bank services. Next year, all government employees will be paid by check.

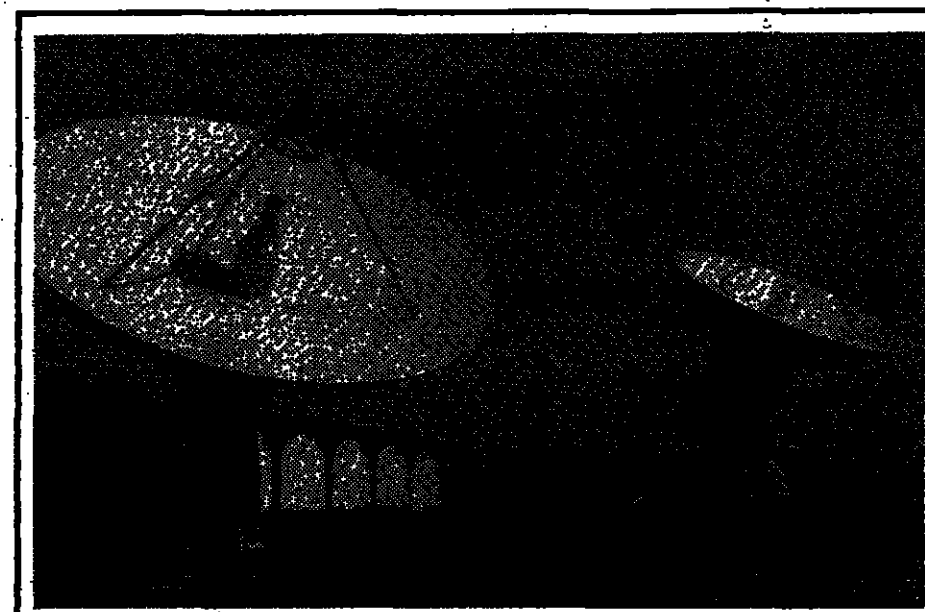
Banks have been blamed for many of the ills that they now face. "Many loans were granted during the boom years without a full check into the clients' background," one banker conceded. "There has also been inadequate monitoring of loans as well."

SAMA has shown leadership in the handling of this issue. Recently the agency instructed all banks to identify the extent of bad loans in their portfolios. And the agency is putting together a loan index taken from the banks' portfolios to enable banks to check on the extent of potential borrowers' indebtedness.

Falling revenues and increasing expenditures have created additional challenges.

The banks are concentrating on cutting costs. Expenditures have always been high in the Kingdom due to the need to pay expatriates more attractive salaries and benefits. In addition, branch expansion and computerization have required massive outlays of capital. Banks have also committed vast sums to Saudization programs — training qualified Saudis to take over from expatriates. Although such programs are bound to pay long-term dividends, the short-term costs are high. Nonetheless, all parties concerned agree that the Saudi banking system is basically sound.

"The current consolidation will give us a chance to take stock and see where we're going," a banker noted. "After years of growth and unequal profits, now we can take stock and formulate long-range goals."



The main ground control station for the Arabsat satellites near Riyadh. A second station is located near Tunis. The stations were built by the Japanese firm NEC and are operated for the in-orbit control of the satellites by an Aerospatiale-led team.

Solid Customer Base Keeps NCB in the Lead

Established in 1951 on the foundations of an earlier money-broking and foreign exchange business started in 1938, Saudi Arabia's National Commercial Bank is the largest private-sector bank in the Middle East. With assets of \$15.8 billion at the end of 1984 and over a million customers and 169 branches throughout the Kingdom (two of them women's branches), NCB is almost twice the size of its nearest rival, the Riyadh Bank.

Its dominance of the Saudi financial market — half of Saudi Arabia's trade finance goes through NCB — is reflected in the prestigious American-designed skyscraper headquarters in downtown Jeddah, into which the bank moved in mid-1984. If ever there was a building that symbolized Saudi Ara-

bia's commercial success in the past 15 years, this is it.

The reason for NCB's strength is its solid customer base, which in turn is founded on the bank's careful investment policies — both at home and abroad and their high returns. "We keep a close eye on what the economy is doing," explains a senior bank official. "Even back in the early 1980s the bank was asking what would happen if resources dried up, what if debts went bad."

Such cautious planning has allowed NCB to thrive and grow despite the current economic climate. Next year 23 new branches will open. These include a third women's branch. The bank's presence is expanding abroad, too. A new branch will open in London in

January to complement those in New York, Beirut and Bahrain. NCB has representative offices in Frankfurt, Seoul and Singapore, and recently opened another one in Tokyo.

The figures are much the same. Customer deposits and assets rose substantially in 1984. Though profits were marginally down (as was the case with most banks around the world), they were down far less than most of their rivals and were still worth a healthy \$137 million. This year's figures will be published probably in the spring and are expected to show NCB maintaining its dominant position in the Saudi market. Profits may again be marginally down, but assets will grow; deposits should be about the same.

NCB has invested heavily in local industrial developments, notably in the Kingdom's petrochemical industries as well as in the international market. NCB's international presence is growing, especially in the short-term interbank and U.S. deposit market. Its deposits in the international money market rose 37 percent last year and it currently places some \$300 million daily on the market. Despite this international presence, NCB is primarily a local or regional bank. "We are 80 percent domestic driven," explains an NCB official. "Domestic deposits drive our international activity."

NCB's top management is well aware that although "people are beginning to become

(Continued on page 11)

ADVERTISING SECTION

ADVERTISING SECTION

NCB

(Continued from page 10)
 "they want to make the
 most out of their savings," pro-
 fessors depend entirely on offering
 customers sufficiently attractive

products and services. And they
 know that the competition is
 going to get a lot tougher.
 The emphasis now is on new
 technology and new investment
 products. Fully electronic bank-

ing services should be available
 by the end of 1987.
 The prospects of Saudi's
 number one bank are very
 bright and likely to remain so
 for a long time to come.

Riyad Bank Increasing International Outlets

Riyad Bank — Saudi Arabia's
 second largest — has long been
 characterized by its conserva-
 tive fiscal approach, and that
 image is largely confirmed by
 the bank's balance sheet.

As of March 21, 1985 —
 Riyadh's fiscal calendar coincides
 with the government's — more
 than 57 percent of the bank's
 assets of 30.3 billion Saudi ri-
 yals (\$8.4 billion) were in cash
 on hand or in placements with
 domestic and foreign banks.
 The bank's loan-to-deposit ratio
 was a very conservative 39.6
 percent.

Although the bank's profits
 for the last fiscal year dropped
 12 percent to 512 million ri-
 yals (\$140.2 million), Riyadh's
 return on assets was still a very
 high 1.67 percent.

Bank officials are confident
 and admit that, given the gen-
 eral economic context, Riyadh is
 in a good position. "We feel fairly
 comfortable with our loan por-
 tfolio," said one. "In addition,
 Riyadh Bank is the most liquid
 in the Kingdom and, capital-
 wise, it's the strongest as well."
 Such strength and assets leave
 room for maneuver, he added.
 Nazeem Souri, Riyadh's assistant
 general manager, agrees: "There
 are chances and opportuni-
 ties for Riyadh and the other
 banks here," he stated. "It's
 true that growth in some sec-
 tors has stabilized but new op-
 portunities are always being
 created."

Mr. Souri said that private
 capital will be needed for im-
 plementing the Boeing Co.'s
 Peace Shield Project, the com-
 prehensive air defense program.
 With its offset projects, some
 have estimated that up to \$3

billion worth of capital will be
 needed. Banks are expected to
 provide up to a quarter of that
 sum.

Other opportunities include
 maintenance and operations
 projects as well as the contin-
 uing industrialization of Saudi
 Arabia. For the latter, Mr. Souri
 was especially optimistic. "The
 first generation of new indus-
 tries was very complex and very
 structured," he said. "So it was
 only natural that the govern-
 ment took the lead in their
 funding. However, in the sec-
 ond and third generations, the
 banks should play a more im-
 portant role. I'm not saying
 that the role of government
 institutions should be eliminat-
 ed. Instead, I think there is no
 reason why there can't be co-
 operation between us and the
 government aid agencies. After all,
 their aims and ours are the
 same."

Mr. Souri emphasized that a
 greater role for banks in the
 financing of the country's de-
 velopment is only natural, con-
 sidering the decrease in public
 sector funding and the in-
 creased attention given by the
 Fourth Five Year Plan to the
 private sector.

Mr. Souri noted that Riyadh,
 while seeking a greater role in
 the domestic market, is also
 exploring new opportunities in
 the international market.

André Van Hove, head of
 Riyadh's international division,
 agreed, noting: "The major
 concern of Riyadh Bank is, and
 will be, the development of the
 Saudi economy. Whenever
 there is a bankable opportunity
 here in the Kingdom, it's going
 to have the priority. However,

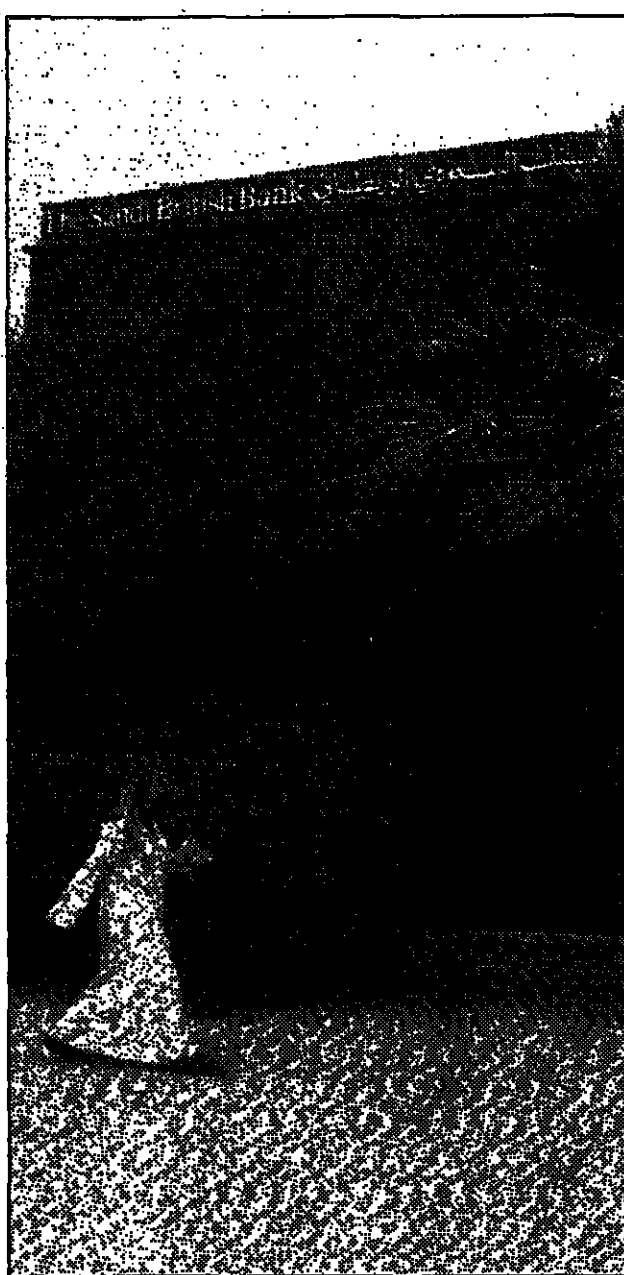
it's quite obvious that any bank
 in the world needs outlets for
 the money it collects in depos-
 its. We're looking for interna-
 tional outlets."

Mr. Van Hove remarked that
 Riyadh's venture into foreign
 markets has been limited to
 three main areas. The first is
 placements with foreign banks.
 According to the bank's year-
 end balance sheet, more than
 12.4 billion ri- yals (\$3.4 billion)
 was on account with foreign
 banks as of March 1985. That
 sum represented nearly 40 per-
 cent of the bank's total assets.

Riyad is also exploring the
 international syndication field,
 Mr. Van Hove added. The bank
 is already known for being one
 of the leaders in the Saudi do-
 mestic field, he said, having led,
 or co- led a number of syndica-
 tions this past year. The bank
 has also introduced a new syn-
 dication tool — a revolving
 credit facility — which will en-
 courage greater participation by
 Saudi banks way of taking me-
 dium-term risks. The new tool
 allows banks and financial in-
 stitutions to participate in suc-
 cessive, six-month advances in syn-
 dications.

A third foray into the in-
 ternational market has been
 Riyadh's overseas expansion.
 The bank already has one
 branch in London and owns
 controlling interest in Gulf
 Riyadh Bank of Bahrain.

Mr. Souri noted that addi-
 tional venues are being consid-
 ered for new branches. "A de-
 cision should be taken before too
 long," he said, adding that sev-
 eral feasibility studies are cur-
 rently under way.



One of the branches of the Saudi British Bank in Riyadh.

Electronic Banking at Saudi British

Saudi British Bank has a reputa-
 tion for technological prowess
 and innovation. It is a joint
 venture between Saudi share-
 holders and the British Bank of
 the Middle East, one of the
 Hong Kong Bank Group, and
 was the first financial institu-
 tion in the Kingdom to intro-
 duce automated teller ma-
 chines.

The bank is enthusiastic
 about its new Hexagon prod-
 uct, an electronic banking sys-
 tem which allows the user to
 limit employee access in order
 to safeguard corporate security.
 A Saudi British spokesman noted
 that the system was devel-
 oped by Hong Kong Bank. It
 enables customers who have a
 modem, phone line and person-

al computer to link up with the
 bank. Hexagon operates on any
 IBM-compatible personal com-
 puter. It offers a full range of
 services. Subscribers can use it
 to check both their domestic
 and foreign savings and check-
 ing accounts. Hexagon can also
 be programmed to issue pay-
 ments to third parties and to
 handle fund transfers.

Additional products include
 the drafting of letters of credit,
 plus a full range of information
 services. A bank spokesman
 said that Hexagon offers global
 market information, such as
 foreign exchange, precious met-
 als, and stock market quotat-
 ions from Tokyo, London and
 Hong Kong. Prices from the
 New York Stock Exchange are
 expected to be carried soon.
 Saudi British, the King-

dom's seventh-largest bank, has
 big hopes for Hexagon. It plans
 to introduce additional services
 for the electronic banking sys-
 tem in the coming years. Next
 year, the service will offer cus-
 tomers the ability to place and
 uplift exchange deposits in and
 outside the Kingdom. By 1987,
 Saudi British plans to offer a
 global securities system, which
 will enable customers to exam-
 ine their foreign and domestic
 portfolios and to trade from the
 comfort of their offices.

However, security is one of
 the main assets of the Hexagon
 system, bank officials pointed
 out. Hexagon allows its users to
 restrict the entry of their subor-
 dinates to specific accounts. All
 users are given an access num-
 ber and the computer logs all
 use.

In addition to technological
 advances, Saudi British has a
 reputation for financial sound-
 ness and fiscal conservatism. As
 with all banks in Saudi Arabia,
 its earnings have fallen during
 the past two years.

In spite of the earnings
 downturn, the bank continues
 to register healthy growth. Its
 total assets advanced 10 percent
 to 8.1 billion Saudi ri- yals (\$2.22
 billion) during the first half of
 1985, and customer and other
 deposits climbed 9 percent to
 6.9 billion ri- yals (\$1.9 billion).

In addition, the bank has
 maintained an active role in the
 Saudi syndication market. Saudi
 British recently co- led the suc-
 cessful \$118.4 million syndica-
 tion for Kenya, a Saudi Basic
 Industries Corporation (SA-
 BIC) company.

Newest Saudi Bank

United Saudi Commercial Bank
 (USCB), the youngest and
 smallest of the Kingdom's
 11 commercial banks, has ex-
 panded both its branch network
 and assets in its two years of
 operations. Expansion, howev-
 er, has come at a price. The
 bank reported an operating loss
 of 6.6 million ri- yals (\$1.8 mil-
 lion) for the first half of 1985.
 By contrast, the bank earned
 1.56 million ri- yals (\$443,000) in
 its first year of operations.

USCB Chairman Yousif
 Hamdan Al-Hamdan attributed
 the loss to the bank's branch
 expansion program.

"Between June 1984 and
 June 1985, USCB opened seven
 branches, which was a severe
 strain on resources," Al-Ham-
 dan explained. "It was recog-
 nized that the costs would im-
 pact on the 1985 results but it
 was necessary to improve the
 bank's representation in the
 major cities."

USCB was created in 1983
 out of the branches of the last
 three foreign banks operating
 in the Kingdom. The merger
 partners were quite different.
 Two of the Banks — Banque du
 Liban et d'Outre-Mer and Bank
 Meli of Iran — were located in
 Jeddah. The former was rather

active in trade financing while
 the latter had been reduced to
 serving pilgrims during the
 Hajj. The third partner — Paki-
 stan's United Bank Limited —
 had an office in Dammam and
 concerned itself with serving
 the needs of the Pakistani ex-
 patriate community.

With the creation of the new
 bank, a head office was opened
 in Riyadh. Since the bank's in-
 ception, branch expansion has
 been a priority. The bank's
 three original branches have
 quadrupled in the last two
 years. There are now four each
 in Riyadh and Jeddah, and one
 apiece in Makkah, Madinah,
 Dammam and Al-Khobar.

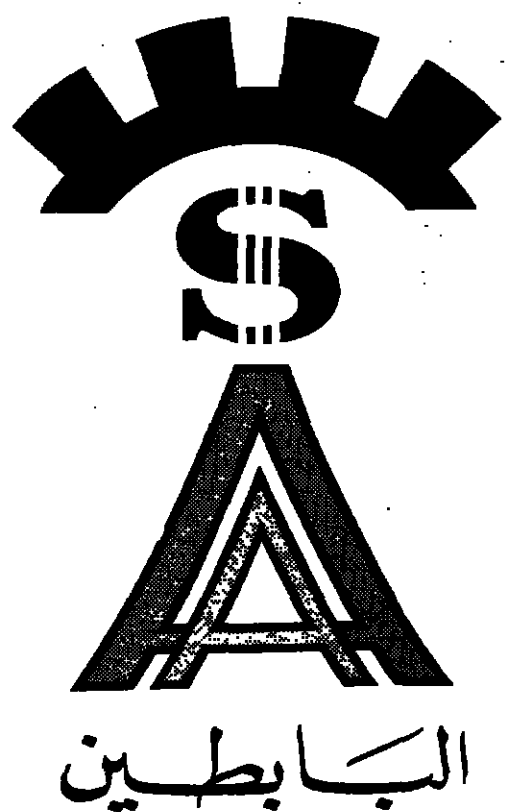
Despite a downturn in prof-
 its, the bank's balance sheet has
 shown spectacular increases.
 Total assets stood at 2.7 billion
 ri- yals (\$750 million) as of
 June 30, 1985, up 44 percent
 from the same period a year
 ago. Loans and advances rose
 47.5 percent to 651 million ri-
 yals (\$178.3 million). The
 bank's contra accounts in-
 creased 88 percent to 1.1 billion
 ri- yals (\$301 million). On the
 credit side of the ledger, cus-
 tomer and other deposits rose
 38.5 percent to 2.1 billion ri- yals
 (\$575.3 million).

The bank's growth is all the
 more impressive when consid-
 ering the handicaps USCB has
 labored under. One bank offi-
 cial noted that the Saudization
 of USCB coincided with the
 consolidation of the Saudi econ-
 omy whereas the other banks
 were Saudized during the
 boom years.

In addition, USCB had to
 create a new management out
 of the three banks it replaced.
 According to the Saudization
 agreement, each of the founder
 banks retained 10 percent inter-
 est, while Saudi International
 Bank of London, which holds
 the management contract, was
 also given a 10 percent interest.
 The remaining 60 percent of
 the bank's shares are held by
 the Saudi public.

Also causing difficulties
 were the facts that there were
 no headquarters staff, no com-
 mon systems or computers, and
 different salary and benefits
 scales. Philosophies of manage-
 ment also differed.

Finally, the bank has had to
 embark on a costly program of
 Saudization as regards per-
 sonnel.



Albabtain Group of Companies

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Albabtain General Trading Co.

Distributors of fast moving consumer food products.
 Distributors of cigarettes **Philip Morris Inc. USA**.
 Distributors of household, white, gas and electrical
 products **Indesit Italy**.

MANUFACTURING INDUSTRIES

Albabtain Plastic Barrels Manufacturing Co.

Manufacturers of plastic containers for the food and chemical
 industries and for lubricating oils.
 Variety of sizes from 1 litre to 220 litres capacity.
 This manufacturing unit is the largest of its type in the
 middle east.

Albabtain Polyurethane Manufacturing Co.

Manufacturers of light urethane furniture for hospitals,
 canteens, schools, waiting rooms, etc.
 Manufacturers of waterproofing materials for roofing.
 Manufacturers of polyurethane insulation materials, the
 largest producer of such material in the middle east.

Albabtain Biscuit Manufacturing Co.

Manufacturers of a wide variety of high quality Cookies,
 Biscuits and Crackers.

INVESTMENTS

Albabtain Real Estate Co.

Specialists in land and building management in the Kingdom
 of Saudi Arabia.

Albabtain Project and Investment Co.

A dynamic and successful company in real estate and
 property management in Europe and USA.

FUTURE MANUFACTURING PROJECTS

Food

Expansion of Food and Beverage Manufacturing in
 Saudi Arabia.

Petrochemicals

Establishment of a Polyol Cracker Plant in Saudi Arabia in
 partnership with **Upjohn Polymer International Co. USA** and
Smiths Espanola S.A. Spain.

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ADVERTISING SECTION

Offset Program Key to New High-Tech Era

In spite of the slowdown in its economy, Saudi Arabia is likely to become the Middle East's industrial high-tech center if its offset programs come to fruition as planned. It is certainly set to become the region's aviation industry center.

"Offset" refers to a novel method used to generate industrial investment. Developed by the Saudi Government, the policy requires contractors to reinvest back into the Kingdom a portion of the value of those major contracts they win in industrial development.

The Saudis have long been concerned about their overdependence on oil. "We must stop being just an oil-based

economy," says a senior official from the Ministry of Industry. "We have to build up a broad industrial base to satisfy our own requirements and for export. Why should we go on year after year pumping out the oil, just to spend the money on imports? We can do it ourselves. We have built up the best education system in the Middle East. There are many people here with masters' degrees and doctorates from U.S. and British universities. Their skills are not being used fully."

What the Saudis lack, however, is the technology. To rectify the situation, the Saudi government has thrown itself body and soul into the task of

attracting American, European and Japanese companies to set up operations in the Kingdom. Technology transfer is the theme of the 1980s for the Saudis.

Saudi Arabia has already invested well over \$15 billion (\$10 billion) building up a heavy industrial base, mainly primary petrochemical plants. Now it is looking to capital-and energy-intensive high-tech industries. The ambitious aim is to transform what is still the largest importer in the region into a high-tech manufacturing center of the Middle East. The Kingdom is not particularly interested in labor-intensive projects. Saudis "have oil and mon-

ey but not much labor," says M.E. Beislaw, general manager of Boeing's offset program in Saudi Arabia.

Boeing is blazing the trail on offset. The Saudi government, whose Offset Committee draws in officials from all the major government economic departments, chose the \$4.3 billion Peace Shield contract for the first offset program. Boeing, as winner of the \$1.2 billion contract for the ground-based air defense system in the USAF-managed Peace Shield program, was obliged, together with its subcontractors, to reinvest 35% of the technical content of the contract value in industrial ventures, some of which must provide products or services for the Peace Shield program. General Electric Corporation, which won the separate \$900 million Peace Shield radar contract, is organizing an independent offset program.

Together, they should result in \$900 million worth of investment in Saudi Arabia. The Boeing team, which comprises Boeing, Westinghouse Electric, Computer Sciences Corporation, and Frank E. Basil Inc., is committed to invest \$300 million, which the Saudis will match, dollar for dollar. In addition to this \$600 million, GEC is reinvesting \$150 million as its 35 percent commitment, which the Saudis again will match. If the Saudis expand the Peace Shield program, as could well be the case, the offset budget could be even larger. A figure of \$1.5 billion has been mentioned, though at the moment this is pure speculation.

After investigating 57 possi-

ble projects, the Boeing team and the Saudi Offset Budget Committee decided on nine, each of which will be sponsored by the Boeing team member with the greatest expertise. These are:

— An aerospace maintenance, repair and support center that will provide total maintenance for various types of aircraft equipment (Boeing sponsored).

— An advanced electronics center that will supply commercial and military electronic products and services throughout Saudi Arabia and the Middle East (Westinghouse sponsored).

— A computer systems and services venture that will analyze and solve local client problems in information systems technology (Computer Science Corp.).

— A digital telecommunications company that will produce telecommunications equipment for both domestic consumption and export (ITT).

— A facility for manufacturing Boeing Vertol 360 helicopters (Boeing).

— A power engineering center (Westinghouse).

— An applied technology center (Boeing).

— An advanced biotechnology center that will establish a seed production company (ITT).

— Production of medical equipment and products (sponsored to be decided).

The projects will be in two phases, but all should be completed by the end of 1994. Those in the first phase are the computer venture, aircraft mod-

ification, advanced electronics and digital communications. "Within that phase, the digital communications will probably be last," says a Boeing spokesman. The very first to go ahead will probably be the computing center or aircraft modification and maintenance. The rest will be in phase two. Of that, "the helicopters facility is most likely the last one to be done," explains a Boeing official, "it depends on the development of a vehicle that does not exist yet."

The sailing, however, is far from smooth. The projects, including the GEC's offset of an engine maintenance center, are still at the planning stage. Secondly, they will all be private-sector joint ventures. Saudi partners have not yet been definitively identified for all the ventures, though the private-sector National Industrialization Corp. is almost certain to be one of the main Saudi partners. Furthermore, some of the projects in phase two may be replaced with others.

To fund the projects, which will be set up as independent and separate public companies, the Boeing team is committed to investing a minimum equity holding of 12.5 percent in each project, a total of around \$75 million. Of this, Boeing, with a 36 percent stake in the group, is responsible for \$42.75 million; Westinghouse, with an 18 percent stake, \$13.5 million; ITT, \$8.25 million; Basil, \$6.75 million; and CSC, \$3 million. Saudi partners will take a similar 12.5 percent equity holding. The remaining 75 percent funding will be covered by project finance loans, 50 percent by the

ADVERTISING SECTION

Saudi Industrial Development Fund (SIDF) and 25 percent by Saudi banks. But it will be debt financing. The lenders are not taking any equity.

Nor is the Saudi government, though it is providing most of the financing through SIDF, plus countless investment incentives. The loans are to be provided on favorable terms, imported equipment and materials are not to be taxed and sites are being provided free. There will be cheap fuel and utilities, subsidies for training, funding for studies and operations, and tax abatements for up to 10 years.

The Boeing and GEC offset ventures will create a major aviation industry in the Kingdom, one designed to service not just Saudi requirements but those of their allies in the six-member Gulf Cooperation Council as well. It may well extend to include Jordan and Iraq.

The industry will be based at Al-Kharj air force base. Both the aerospace maintenance and support center and the GEC are to be built there. But that is not all. The equally massive \$4.2 billion contract signed with Britain in September for 48 Tornado Anglo-Italian-German fighter planes plus 30 Hawk jet trainers is also expected to produce an offset program, much of it based on the aerospace industry.

Former U.K. ambassador in Saudi Arabia, James Craig, London-based Middle East Association, declared after a recent visit to the Kingdom, "This Tornado deal is going to be bigger than anyone thought. It is going to have tremendous spinoffs."

British Aerospace, present in

Saudi Arabia for the past 20 years, makes the Tornado deal in conjunction with the Italians and West Germans. It set up a joint venture last summer for calibrating instruments on Saudi air force bases. The joint venture is called Saudi British Aerospace.

Nothing, however, has yet been decided on Tornado deal offset projects. It is almost a foregone conclusion that British Aerospace will be establishing one, if not several, companies in the Kingdom, but it is too early to tell what these will be. Like Boeing, British Aerospace manufactures a wide range of aerospace products, from aircraft to space satellites.

The matter is being investigated by the Saudi Offset Committee and the British Ministry of Defence, who are the official partners in the deal. But as one British Aerospace official put it, "Right from the early days, it has been something very close to their hearts to start an aircraft industry, even just a small one like a Cessna-type industry, but to build aircraft in the country. Up till now, nothing has come of it. It seems to be moving toward it now. I think we will see something like this."

In view of both deals, there will be a major increase in demand for highly skilled expatriates to help operate both the projects and the offset ventures. London-based ARA International, one of the leading "head hunters" for Saudi companies, believes that the Boeing and Tornado deals will result in more professionals going out on contract to Saudi Arabia than at any time since the oil boom started.

WHAT DO THESE COMPANIES HAVE IN COMMON?

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APLACO Arabian Plastic Manufacturing Co. Ltd.
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MABCO Manufacturing and Building Co. Ltd.
GRC (Saudi Arabia) Ltd.
SAFINCO Saudi Finnish Contracting Co. Ltd.
ALUPCO Aluminium Products Co. Ltd.
ARTEC Arabian Technical Contracting & Manufacturing Co.
STEPCO Steel Products Co. Ltd.
SAUDI KONE LIFTS LIMITED
MCE Mechanical Contracting Est.
SIPCA Saudi International Petroleum Carriers Ltd.
SAUDI CONTINENTAL INSURANCE CO. E.C.
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More Local Companies Vie for Health-Care Business

Saudi Medical Services (SMS), one of the Kingdom's new diversified medical companies, has its sights set on obtaining a share of the lucrative health-care market.

Health care, an important priority for the government of Saudi Arabia, is provided free of charge to citizens, as is out-of-country treatment when indispensable. As the Kingdom's health-care facilities become more sophisticated, however, out-of-country care is becoming less necessary.

Saudi Medical Services concentrates on medical operations and maintenance contracts. It recently signed two contracts

with the Ministry of Health to manage three charity hospitals and the King Fahd Hospital in Madinah. The three 216-bed charity hospitals are located in Makkah, Madinah, and Riyadh. King Fahd Hospital, a teaching hospital, has 500 beds. The contracts for all four hospitals are for three years.

The three charity hospitals, built at a cost of \$168.49 million, were taken over by the Ministry of Health at the request of the Islamic Welfare Society in 1982.

SMS said it will need to bring in 400 new health-care personnel to operate the three charity hospitals, and 88 new

personnel for the King Fahd Hospital. Because SMS is a Saudi firm, its officials said they will mount an intensive search for qualified Saudi health-care professionals to work on the projects. SMS is also moving directly into health care with its new Al Amal hospital, a 300-bed hospital being built by French contractor Sainrapt et Brice near the new Diplomatic Quarter. The hospital should be completed next year.

SMS officials say Al Amal (which means "hope" in Arabic) "is for tertiary, or the highest, level of care. It will be a major referral hospital, not only for Riyadh, but for most of the country, and possibly most of the Middle East. Al Amal will have sophisticated specialization, and will be able to handle open-heart, orthopedic and hand procedures."

The hospital will have a Donier kidney stone lithotripter, a device that uses shock waves to disintegrate kidney stones while in the body. Since the pieces are then eliminated through the urine, expensive and painful kidney-stone surgery is rendered obsolete.

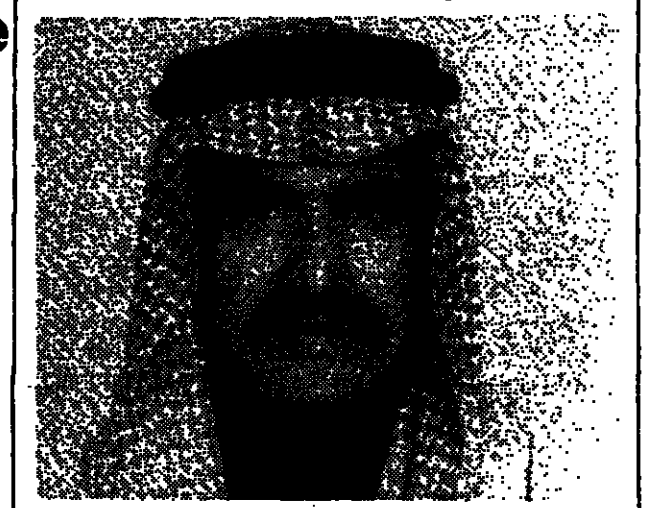
Al Amal will also have a nuclear magnetic resonance machine, for delicate and ultra-precise examinations of a patient's body, as well as an advanced laboratory and first-class accommodation for relatives of the patient.

"Al Amal hospital is of such magnitude it almost has its own existence independent of the company (SMS). It will be the largest proprietary hospital in the country, and technologically one of the most advanced in the world," an SMS official said. SMS was founded in 1981 to manage, in partnership with Charter Medical of the United States, the King Khalid Military Hospital at Haff Al-Batin.

Saudi Charter then won the National Guard Hospital at Al-Mada. This was formerly operated by National Medical Enterprises.

In 1984, SMS began bidding on hospital operations and maintenance as a purely Saudi company. It won a contract for a small 66-bed hospital in Yemen and then began bidding aggressively for other work in the Kingdom. Some of the contracts are bid as Saudi Charter, and others as purely SMS.

SMS prides itself on progressive Saudization, says its president and managing director Ahmad Al-Sanousi. The company



Ahmad Al-Sanousi, president and managing dir. of SMS.

says it is one of the Kingdom's main 100-percent Saudi-owned medical service companies.

SMS has several divisions: hospital information systems, communication systems (through a joint venture with VSK), and medical equipment and supplies. SMS maintains a large inventory of supplies in two 5,000 square-meter warehouses in Riyadh and Jeddah. Donier and Hewlett Packard are just two of the firms whose medical and laboratory equipment is sold and serviced by SMS.

Hospital maintenance and support services, as distinct from operations, is a technical service. SMS set up a subsidiary, Hospital Maintenance Co.,

with Philip Holzmann of West Germany.

To further Saudization and the maintenance of professional medical standards, SMS has established health skill training centers. Trainex Inc. and SMS established a subsidiary, Trainex Saudi Arabia, Ltd.

Medical care is big business in the Kingdom. Just a few short years ago, the field was entirely dominated by several large overseas companies. Today, that is changing. More Saudi firms are competing for hospital contracts. Ahmad Al-Sanousi's Saudi Medical Services is one of these companies, and it is determined to play a role in Saudi health care.

Committed to Saudi development since 1947

The Olayan Group has been committed to the Kingdom since the 1940's when we participated in the logistics of building the Trans-Arabian Pipeline (TAPLINE). Since then, we have grown with the Kingdom, playing a key role in many of its largest projects and pioneering many new businesses.

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In Saudi Arabia there are four main groups.

Olayan Saudi Holding Company (OSHC) coordinates our activities in transportation, marketing and distribution with several manufacturing subsidiaries and associates in maintenance, construction and services. Included among its subsidiaries are:

- **General Trading Company** is one of Saudi Arabia's major companies marketing food, cosmetics and household products.
- **Arabian Health Care Supply Company** handles the import and distribution of medical supplies.
- **OSHC Industrial Group** consists of several units manufacturing products in collaboration with Kimberly-Clark, Polar-pak and Metal Box.
- **Olayan Equipment and Automotive Group** consists of 3 companies: Arabian Automotive Company specializing in the sale of vehicles, parts and service for

Jaguar, Land Rover and Austin Rover; General Contracting Company which handles the import and distribution of trucks, power generators, agricultural and construction equipment and parts; Atlasco specializing in the equipment, parts and service of products manufactured by Atlas Copco of Sweden.

• **Saudi General Transportation Company** is engaged in on-highway and off-highway transportation.

• **Saudi Forwarding and Transport Company** acts as freight forwarders and customs clearance agents with an associate, Al Barrak Shipping Agencies.

• **Arabian Business Machines** is engaged in the import and distribution of office equipment, furniture and security equipment.

• **Arabian Telecommunications and Electronics Company** handles telecommunications equipment from NEC of Japan.

• **Projects and Development Company** provides services for major construction and maintenance projects. This company also acts as the OSHCO Group's vehicle for holding joint ventures in the field of construction, maintenance, training and other services.

• **Technical Trading Company** and **MAC Tools** are associate companies handling building materials and tools.

Olayan Financing Company (OFC) manages and operates directly or through its subsidiary companies the Group's industrial, construction, operation and maintenance, agriculture and high technology activities. The area of operations is wide, and ranges from:

- Major engineering projects to tugboat operations;
- Manufacturing of civil explosives to PVC pipe production;
- Plant maintenance and operation to oil services and suppliers;
- Aluminium extrusion and fabrication to egg production;
- Farm management to heavy equipment rental;
- Mining and aeronautical survey services.

Arab Commercial Enterprises (ACE). The ACE group is one of the region's largest insurance and reinsurance brokers and underwriters, and was the first Saudi company to enter these businesses. It represents several of the world's largest insurance companies, and its client list includes a large number of the Kingdom's leading government agencies and private companies. In addition, the ACE Group has a full service travel business and acts as General Sales Agents for several leading international airlines.

Olayan Real Estate Company (ORECO) holds extensive properties in Saudi Arabia, including most of the offices, workshops, warehouses, and other facilities of its sister companies. ORECO is also involved in real estate development for its own account.

Please contact us in Saudi Arabia, at:

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(Further offices are located throughout the Kingdom)

Overseas at:

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Petromin: Pipeline to Product Refinement

Up until the 1960s, and even through the early 1980s, the world's biggest petro-power, Saudi Arabia, found itself importing petroleum products frequently refined from its own exported crude oil.

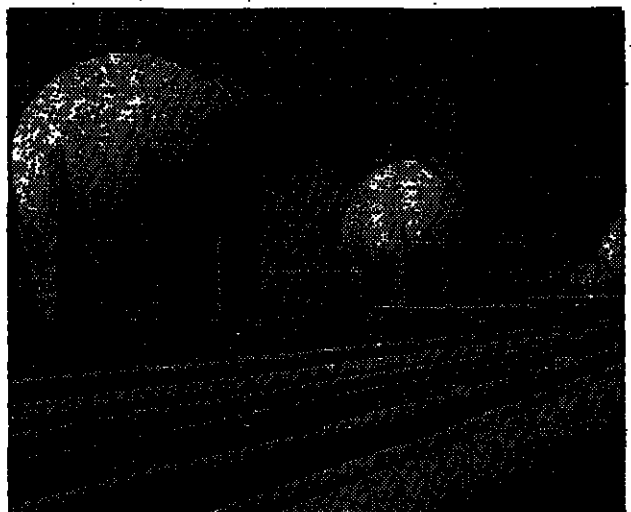
Today, the Kingdom has reached product self-sufficiency, due mainly to the efforts of the General Petroleum and Mineral Organization (Petromin). Petromin has developed its product refining capabilities through a judicious combination of domestic refineries and joint ventures.

Petromin was established on December 3, 1962, with "a piece of paper and \$200,000," says Dr. Abdul Hadi Taher, Governor of Petromin since its inception. "My first goal was to get into the domestic distribution of petroleum products, and then domestic refining. This was in the oil sector. In the mining sector, my goal was to get into steelmaking, and in the crude oil sector, it was to get into the services industry."

Petromin began by establishing the Arabian Drilling Co. and the Arabian Geophysical and Surveying Co. (ARGAS). Others followed, including Petroship and Arabian Marine Petroleum Construction Co. (MARINCO). Petromin first took steps to establish the Jeddah Oil Refinery in 1964. The Saudi Arabian Refining Co. (SARCO) held the refinery concession for the Western

province, so Petromin and SARCO formed a joint venture on the refinery. The refinery was expanded several times. Petromin then took steps in 1974

oil refinery. The oil ministers of the Gulf Cooperation Council, including Bahrain, the United Arab Emirates, Saudi Arabia, Qatar, Oman and Kuwait, are



LPG storage tanks, Pemref Refinery Yanbu.

to build the Riyadh Oil Refinery in order to service the central province. It, too, has been expanded. A new domestic refinery was opened in 1983 in Yanbu as a joint venture between Mobil and Petromin.

Petromin also moved into production of lubricants when, in 1968, it concluded a joint venture agreement with Mobil Oil, for the Petrolube blending plant. Since then, it has also joined with Mobil to build Lubref I, which refines base oils used in lubricants. It is talking with Shell about adding a lubricants unit to the joint venture refinery in Jubail, and with Mobil about building a new base

also studying the construction of a pan-GCC lubricant base-oil plant.

Petromin has also moved forward with three modern oil export refineries. Two 250,000 barrel-per-day refineries are complete. In Yanbu, Mobil and Petromin have built the Yanbu Export Refinery. In Jubail, Shell and Petromin have combined forces. In Rabigh, on the Red Sea, Petromin and Petro of Greece are continuing work on a 325,000 barrel-per-day export refinery.

Yet for all the interest in petrochemicals, Petromin is maintaining its efforts in developing the Kingdom's mineral

resources. The most widely publicized of its mining efforts is the opening of "King Solomon's Gold Mines," known as the Mahd Alahab gold mine. Large deposits of copper, zinc, iron and, recently, phosphates have been discovered. Other deposits — of tungsten, lead and even coal — have been unearthed as well. Petromin is continuing research on direct reduction, a process which uses natural gas directly to reduce iron ore to raw iron.

Petromin, in the beginning, was also a prime mover behind Saudi Arabia's industrialization. "Naturally, in the early stages," Taher said, "we wanted to move into petrochemicals and the utilization of natural gas. As a result, we established the first fertilizer plant, SAFCO."

The Saudi Arabian Fertilizer Company (SAFCO) was the Kingdom's first move not only into petrochemicals, but into natural gas. The company is still a highly profitable manufacturer of fertilizer, sulfur and, recently, melamine plastic. But it was transferred to the Saudi Arabian Basic Industries Corporation (SABIC) when the latter was created. "It was just like having a child grow up," Taher said.

SAFCO was the first industry to use associated gas as a feedstock. Prior to this, associated gas was simply separated from the crude and burned or "flared off." Taher and his Petromin engineers designed a gas collection system that could utilize the gas hydrocarbons instead of wastefully burning them.

"The gas gathering system was my dream, which is today a

reality. I hated the flares in the mid-1950s and the early 1960s. By the mid-1980s they have been eliminated," Taher said. "The project started in Petromin, but to organize a twelve billion dollar project was too much for Petromin. We had to use Aramco, Aramco's four partners and a task force to get that huge project finished."

But the studies and the basic plan which Petromin devised for the entire system is the one that was implemented, including the East-West pipeline for liquefied petroleum gas (LPG) and ethane.

Petromin, meanwhile, built several product pipelines to ob-

viate the hazardous use of trucks, and also built the 1,200 kilometer East-West Petroline, which is now carrying, via an Iraqi spur, 500,000 barrels per day of Iraqi crude. It is designed for 1.85 million barrels a day, but is in the final stages of adding a parallel line which will raise capacity to nearly 2.6 million barrels a day.

With these projects, Petromin has essentially completed the infrastructure of the Kingdom's oil products. In addition to the marketing of domestic products, Petromin is responsible for government-to-government sales of crude oil and LPG.

In 1983, Petromin marketed 531 million barrels of crude, and 7.58 million tons of LPG. Dr. Taher expects sales to be higher this year.

Saudi Arabia is now largely self-sufficient with regard to most petrochemical products, thus reducing the need for new refineries or distribution systems.

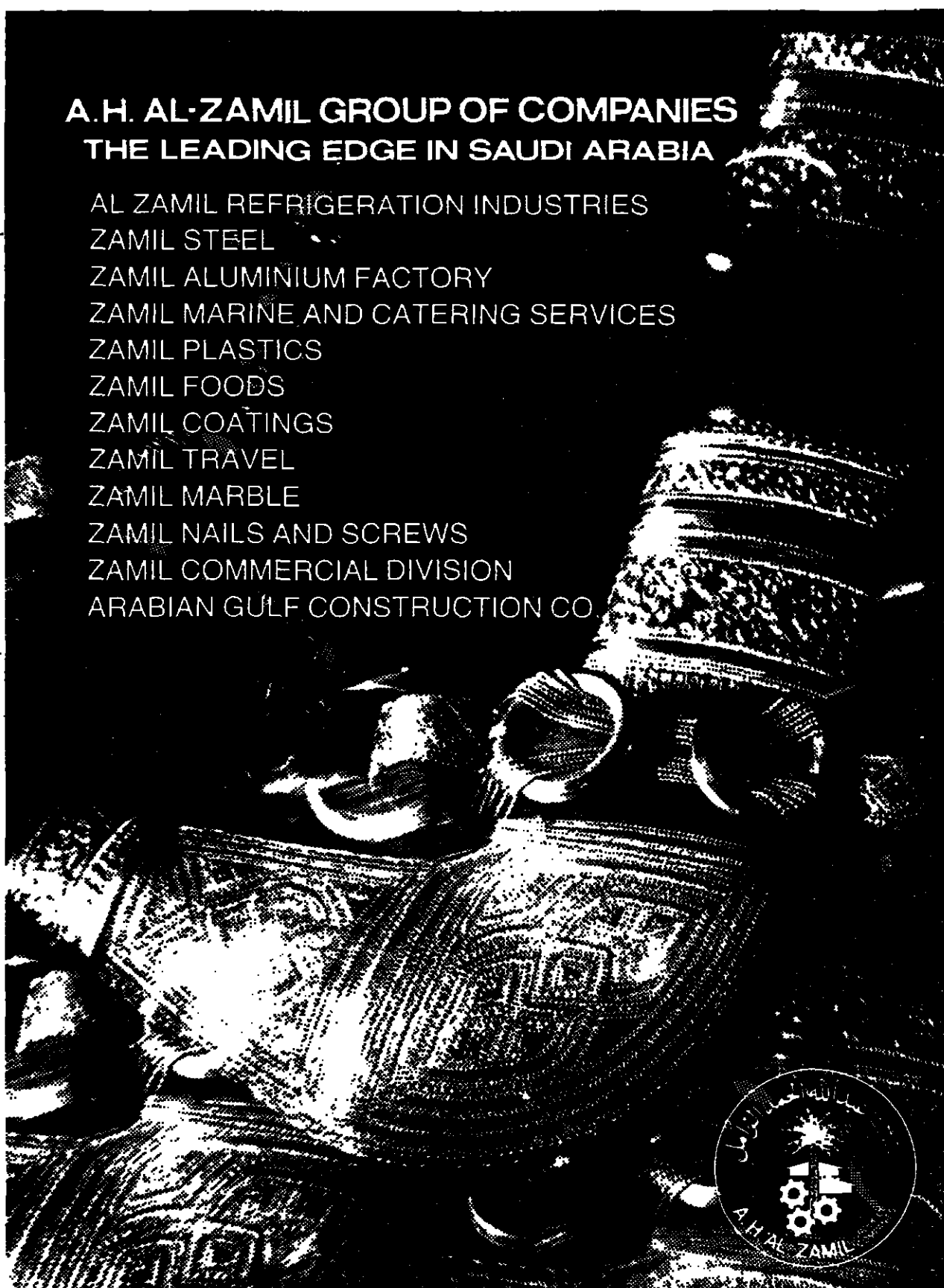
Accordingly, new Petromin projects must face stiff economic tests from the very beginning. A 160,000 barrel-per-day refinery in Qassim was postponed after construction had started. Finances are tight, and Petromin can meet domestic demand for refined products

with its existing domestic refineries. Furthermore, any immediate increase in demand could be met by the export refineries. Qassim will be revived when the economy is more favorable.

Another project delayed by finances is the Mobil-Petromin joint venture, Lubref II. Lubref II may be retendered in 1986. Shell and Petromin are still considering the addition of a lube oil unit to the export refinery in Jubail. The pan-GCC lube base oil plant is another project waiting in the wings. Dr. Taher says that the delayed projects are not "dead," but are held in abeyance until conditions are more propitious.

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Hotels Updating Their Facilities

Ten years ago, Saudi hotels were judged by only one criterion: did they have a room? Businessmen slept in hotel lounges and/or clustered several to a room. Business was great for those few hotels in operation at the beginning of the Saudi oil boom. Indeed, the Riyadh Intercontinental Hotel was listed in the Guinness Book of World Records as the hardest hotel to book a room in.

Today, customers benefit from a competitive hotel market. Familiar names are seen in the Kingdom. Meridien has luxury hotels in Jeddah and Dammam. Hyatt Regency has hotels in Riyadh and Jeddah. Marriott operates hotels in Riyadh and Jeddah. Holiday Inn has a hotel in Jeddah and in the industrial city of Yanbu and is opening one soon in Jubail. Sheraton operates hotels in several cities including Riyadh and the summer capital of Taif. The Intercontinental Hotel group operates hotels in Taif, Abha and Riyadh. It also operates the chain of guest palaces built by the government to handle im-

portant state guests. Movenpick operates hotels in Jeddah and Riyadh. Other companies and individual hotels have been created, so luxury accommodations are available in Makkah, Madinah and, increasingly, other cities as well.

None of these hotels, it must be pointed out, are owned by the firms whose names they bear: Intercontinental, Sheraton, Gustar, Trusthouse Forte and other firms operate hotels on management contracts. Marriott, for instance, runs a hotel in Riyadh for the Saudi Hotels and Resort Areas Co. (SHARACO).

The advent of hotel overcapacity means that businessmen no longer have to beg for rooms. At some of the three-star hotels, these same businessmen can now bargain for rooms, and in general customers have several hotels to choose from.

Some of the Kingdom's hotels have taken to cutting prices, but most of the five-star hotels use discounts for corporate accounts and counter com-

petition with upgraded facilities.

Competition has focused around large suites and customer services such as sports clubs and restaurants. The Riyadh Intercontinental, for example, is nearing completion of a massive renovation and construction program to rectify any weaknesses it had in these areas.

Businessmen and delegations now want bigger suites like those offered by the Intercontinental and the Al-Khazama. The Intercontinental has 10 luxury villas which, at almost \$1,800 a night, cover the top end of the market. These ten villas contain large dining rooms, complete catered kitchen facilities, master and alternate bedrooms, in addition to sunken marble baths. The opulent decor of these villas are European, American, Arabic, Moroccan or Chinese.

The Intercontinental is now completing the renovation of its coffee shop and main restaurant. This was considered necessary, hotel officials say, because food and beverage competition

is fierce. The Hyatt, for instance, operates several restaurants. The Intercontinental is adding a new wing with business suites and meeting areas to attract more business customers. The addition will also expand the hotel's sports facilities.

Sports facilities have become a hot item in hotel competition and are an important source of relaxation. Furthermore, fitness-minded businessmen are becoming more common.

The Intercontinental is adding an indoor pool, squash courts, and exercise facilities specifically for women. Since Saudi Arabian tradition requires the separation of the sexes, women today have very limited sports outlets. The Intercontinental's sports facilities will therefore be particularly attractive for women. The sports facilities already include a bowling alley, three lighted tennis courts, a large pool, a gymnasium, and sauna.

Hotels cannot continue com-

(Continued on page 14)

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ADVERTISING SECTION

ADVERTISING SECTION

Hotel Facilities

(Continued from page 13)
 pping solely on a price basis, says Raymond Khalife, regional vice president of operations for Intercontinental. After a while, he says, price cuts affect quality. This forces competition into the area of quality and service.

In the battle for food and beverage revenues, the tourist market is considered essential. Saudi hoteliers are aware that women often have the leading role in deciding where to stay.

Hotel competition in the Kingdom is monitored by the Department of Hotels, at the Ministry of Commerce. The Department of Hotels Director General Abdulaziz A. Al-Jaser, oversees government hotel regulations. His department also approves the construction and operation of new hotels, and classifies them.

The government establishes

rates for hotels based on their rating, which go from two-star to deluxe five-star.

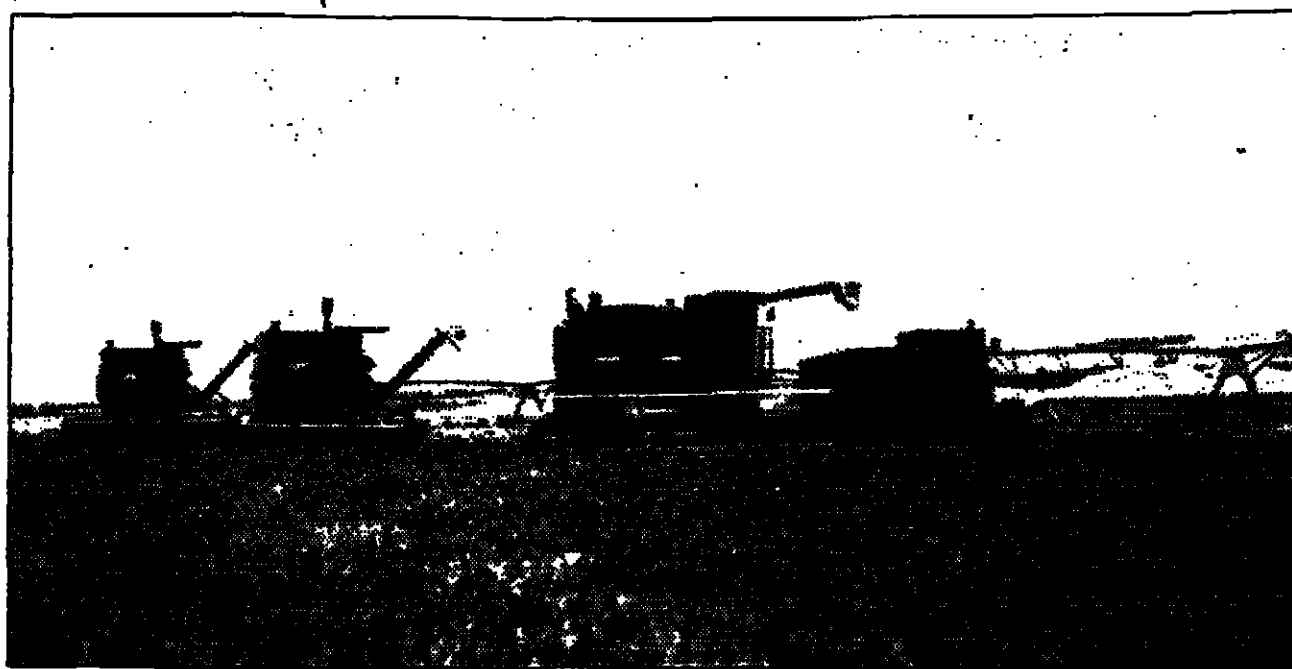
Hotel construction is usually dependent upon government aid. Government interest-free 10-year loans cover up to half the cost of a project. In the past, the government has intervened in the hotel industry to ensure that the industry remains profitable. The government has also intervened to ensure that the industry remains profitable. The government has also intervened to ensure that the industry remains profitable.

Saudi Arabia's 13 five-star hotels, located in Dammam-Al Khobar, Riyadh, Jeddah, Makkah, Madinah, and Taif, have a total of 3,268 rooms. Its 37 four-

star hotels have 7,155 rooms. The government has also assisted in the construction of 945 three-star hotels (7,070 rooms) and 94 two-star hotels (3,699 rooms). Riyadh has two five-star hotels and 10 four-star hotels, and will gain four new four-star hotels with 937 rooms, eight three-star hotels with 977 rooms, and one two-star hotel with 75 rooms. That will boost Riyadh's present capacity of 10,000 rooms to 16,300 rooms.

The Kingdom will become home to 100 four-star and three three-star hotels with a combined capacity of 997 rooms. The Kingdom has a total capacity of 10,000 hotel rooms. This is a significant increase from the 1,000 rooms that were eliminated in the 1970s. The Kingdom's hotel industry is now a major source of revenue for the government.

All of this means that a regular visitor to Saudi Arabia can finally count on getting a good room for the night.



Combine harvesters at work on a farm in Saudi Arabia.

Farming: The Latest Desert Miracle

The agriculture program is a success! The grain silos are overflowing, greenhouse vegetable production is profitable, the Saudis actually export eggs to Egypt, and Saudi dairies are providing all of the major cities with fresh milk or lamb.

This is the Saudi agricultural miracle. The most spectacular success has been in wheat farming. Through subsidies, and a high purchase price for wheat (almost \$1,000 a metric ton), wheat farming has zoomed in the past four years. The upcoming harvest is expected to yield 1.7 million tons of grain, twice the estimated 850,000-ton-per-year consumption of wheat in the Kingdom. Success has been so great that the price paid for wheat was cut 60 percent, and the government is considering putting a lid on wheat purchases from large farming companies. The government will

still buy all of the wheat produced by the small farmers under the proposal.

The government now wants farmers to branch into other crops, such as forage. The Kingdom has immense herds of sheep, camel and goats, many of which eat imported fodder. Saudi Arabia now has the potential of expanding its agricultural self-sufficiency even further.

Agricultural self-sufficiency is important to the Kingdom. As a strategic necessity in the drive for true independence, it receives personal attention from officials as high as King Fahd Bin Abdulaziz himself.

The first Saudi agricultural success story, however, was not wheat, but the date tree. Before wheat production even neared self-sufficiency levels, the Kingdom's farmers had begun exporting dates. The date, together

with the milk and meat of the camel, was the economic mainstay in the desert, and still holds a special place in the hearts of the Saudis. Its importance is such that it is part of the nation's coat of arms — a date tree and two crossed swords.

Other agricultural fields attracting investment and attention are poultry and dairy operations.

Saudi consumption of chicken has skyrocketed. Some 20 years ago, most Saudis had not tasted chicken. Now, Saudis consume more chicken per capita than many nations in the world. Large poultry houses, which have special temperature control to prevent over-heating, raise broilers and fryers and also produce eggs. Al-Rajhi, Al-Watania, Al-Sedais, and Faleh Poultry Farm are some of the big names in Saudi poultry.

Egg-laying operations have proven so successful that, during some seasons, Saudi eggs are exported across the Red Sea to Egypt or Sudan.

Saudi Arabian dairy production is only slightly less spectacular. Dairy farms supply most of the Kingdom's demand for fresh milk. In the winter, there is even some over-production.

Saudi Arabia's two largest dairies are Saudi Arabian Agricultural Development Co. (SAADCO) and Masstock Saudi Ltd. SAADCO has a large integrated dairy operation near Riyadh, outside of Al-Kharj, with over 8,500 cows. Masstock Saudi, a joint venture involving the McGuckian brothers of Northern Ireland, should have around 12,000 cows spread around several different dairies by the end of the year. Its largest dairy has 1,500 animals. The Kingdom has a total of

approximately 30,000 dairy cows, say dairymen. SAADCO and Masstock Saudi together produce perhaps over 70 percent of the country's milk; the rest is produced by much smaller dairies.

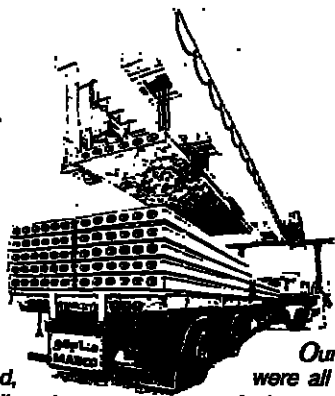
Raising cows, like raising chickens, depends on temperature control. Cows do not die of heat prostration as easily as chickens do, but heat stress lowers milk yield. The cows are sprinkled with water to keep them cool. Because milk consumption drops radically in the winter, SAADCO and Masstock Saudi both have changed the calving season from winter to summer to raise yield during the peak season.

Yet for all the talk of fresh milk, it is not that big of a seller in the Kingdom. The favorite is *laban*, a cultured milk product. In the days before refrigeration, *laban* was made from camel's milk so it would keep longer. When the dairies learned that most of their milk was being taken home and made into *laban*, they began producing *laban* themselves and found that *laban* outsells milk five to one.

Another agricultural endeavor is greenhouse vegetable cultivation. Saudi farmers grow melons, carrots, tomatoes and cucumbers. A Ministry of Commerce ban on foreign refrigerated trucks carrying produce raised prices paid domestically for fresh produce to the point that the greenhouses are now making a reasonable return on investment.

The change is amazing. From the air, pivot irrigation systems create large circles of lush green on what was formerly barren desert — evidence of the vitality of Saudi Arabia's agricultural program.

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Yanbu: Toward a 20th Century Islamic City

Since 1977, when the city's master plan was completed, Yanbu Industrial City has grown up. First conceived as an industrial sister to Jubail on the eastern side of the Arabian peninsula, the city is now making a jump from primary industries to secondary and light industries.

The lifeline of Yanbu is the crude oil and liquefied natural gas pipelines from the oil fields in the east. Although mainly for export, the oil and gas also feed two refineries and a petrochemical plant.

Progress in the city has been like clockwork. In 1981 the crude oil export terminal was opened, followed in 1982 by the NGL terminal. In June 1983 the first product was delivered from the 170,000-barrel-per-day Petromin Domestic Refinery.

In July 1984 a second refinery came on stream, the 250,000-barrel-per-day Petromin-Mobil Yanbu Export (Petroref) Refinery. Like the domestic refinery, the fifty-fifty joint venture between Petromin and Mobil receives light Arabian crude from the Petrolina oil pipeline.

In December 1984 the Yanbu Petrochemicals Company, or Yanpec, brought its 455,000-ton-per-year ethylene unit on stream, followed quickly by its 205,000-ton-per-year linear low-density polyethylene and 220,000-ton-per-year glycol units.

The primary industry stage has come off with hardly a hitch. And in some cases, such as with the Petroref refinery, the start-up was way ahead of schedule. However, in order for the city to be viable, planners believe a secondary industry must grow downstream from the mega-refineries and chemical plants.

Last March, Lubrizol Trans Arabian Company, a joint venture between Lubrizol Corporation of the U.S. and International Chemical and Trading Co. of Saudi Arabia, signed a contract to build a 30,000-ton-per-year lubricating oils additives plant. The 70-million-riyal plant is scheduled to begin production by February 1986.

In late November another contract was signed to build a bulk chemical storage terminal. The 30.7-million-riyal facility, a joint venture between Mobil Oil and three local companies,

will handle solvents and chemicals imported to feed local secondary industries and refineries, especially Yanbu's future lubricant additives plants.

A second lube additives plant, with a licensed capacity of 20,000 tons per year, is planned by Salaco, a joint venture between Yusef Bin Ahmed Kanoo Est. and Exxon Saudi Arabia.

But even as the world's most modern hydrocarbon industries pop up in Yanbu Industrial City, another futuristic development is quietly taking place — the construction of a twentieth-century Islamic city.

Faced with the unique circumstances of Saudi Arabia, planners have reached back in time to design a modern city that matches the harsh climate and the intense desire for privacy among the deeply religious Saudis.

The new city, to be constructed in phases over a 20-year period, will march twentieth-century needs brought on by the automobile with traditional Islamic planning. In the residential zones, houses are being designed for privacy, and a network of walkways separate from roads will connect the houses with green belts and parks.

To provide shade in the scorching Arabian sun, buildings are being constructed to their property lines, forming a continuous edge with adjoining buildings.

The view along main city streets will lead to the 75-meter minaret of the town's main mosque in the downtown plaza. The pedestrian-only plaza will hold the most important religious, civic, cultural and commercial facilities such as a library, museum and government buildings, along with the city's main square.

Downtown along the coast, a marina and man-made inlet are planned. Offshore, a man-made recreational island is being built with landscaped picnic areas, viewpoint and beaches.

Two waterfront parks will lie to the north and south of the center, and will connect with other parks farther away by bicycle and pedestrian paths. Also planned are an underwater observation chamber, an aquarium and a planetarium.



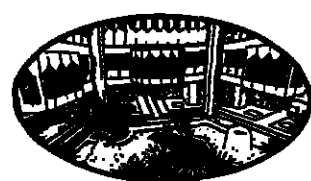
The Petroref Export Refinery processes 250,000 barrels per day of light Arabian crude.

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ADVERTISING SECTION

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Private Sector: Partnership for Future Development

Saudi Arabia's private sector is being called upon to contribute more to the development of the national economy as oil revenues and government funding decrease. The Fourth Five Year Plan, announced last March, reportedly stressed the importance of greater private sector involvement in the "fueling" of a national economy. It continued: "The Fourth Five Year Plan introduces a major change in the respective roles of the government and the private sector. Many of the key goals and objectives of the Plan will be achieved through the private sector. In particular, great reliance is placed on the private sector to continue the strategy of economic diversification through the development of agriculture, industry and mining." And in an interview with a Saudi newspaper, the King's Minister of Planning Hassan Nasser said that, "Private enterprise is already in the market, we just want it to bear more responsibility."

The Saudi private sector has thrived in the past decade due undoubtedly to generous government support and funds. Of course, the private sector has always been a feature of Saudi life. Its roots lie in the early traders who linked the outside world with the Arabian peninsula — but only in the last few years has the private sector turned to other concerns such as industry, manufacturing, transportation and services.

Its development has been fostered by a government eager to create a healthy private sector and stable middle class. Aid has been afforded in a number of ways. From the beginning of the oil boom, the Saudi government channeled large amounts of funds into the private sector. Businessmen and entrepreneurs were offered healthy incentives to produce and build.

The government created various loan agencies such as the Saudi Industrial Development Fund and the Public Investment Fund, which encouraged businessmen to take risks in real estate, agriculture, manufacturing and trade. Loans were provided under extremely le-

gent terms. The Kingdom, however, has provided more than just financial help to a private sector "gifted" with one of the finest infrastructures in the world. Electricity has been introduced into most reaches of the Kingdom, and ample supplies of water are available. A vast network of highways now connects the Kingdom's major population centers where dirt roads ran only years ago. Airports and seaports have been created. And a fine communications system is now in place.

Public sector projects have spurred growth of the private sector as well. The giant industrial cities of Yanbu and Jubail — the biggest public sector projects in recent history — have spawned countless secondary and tertiary factories and plants.

The government has also implemented a number of directives to spur development of the private sector. Foreign companies have been encouraged to set up shop in the Kingdom under attractive terms. Foreign concerns, which hold public

projects, have also been mandated to purchase 30 percent of their needs from Saudi companies. And to protect its fledgling industries, the Kingdom has imposed tariffs on certain items.

The private sector, responding well to government stimuli, has produced impressive results. In 1983, the government reported that there were more than 2,000 industries in the private sector, with a total estimated turnover of \$4 billion. A Saudi bank, the National Commercial Bank, is the second largest in the developing world.

A vital middle class has been created and non-oil GNP continues to rise due to rapid development of the private sector.

Although outstripped in size by the giant petrochemical projects, the private sector is nonetheless growing. Commerce, trade, construction and services are all controlled by the private sector.

Joint venture firms encouraged by the Kingdom have bolstered the private sector and

contributed to the transfer of technology. Today, joint venture companies number in the thousands.

The government is also moving toward privatizing some of the giant public-sector industries. Last year, controlling interest in Saudi Basic Industries Corporation (SABIC) was offered to the public. Certain petrochemical industries as well as parts of Saudia, the national air carrier, are expected to be "put on the block" as well.

The National Industrial Company (NIC), created in November 1984, has also encouraged private sector development. The Company's activities include the establishment of industrial projects, (alone or with foreign participation), investment in existing industries and the creation of projects related to industrial services and support.

The government opened up capital transfer possibilities by creating a stock market under the control of both the banks and, indirectly, the Saudi Arabian Monetary Agency (SAMA).

NATIONAL INDUSTRIALIZATION COMPANY (NIC)

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Joint Ventures at Heart of Aggad's Diversification

Most of Saudi Arabia's largest companies are family affairs, and usually deal in items as varied as luxury sports cars and canned tuna fish. The Aggad Investment Co. (AICO) is different.

Suleiman Olayan had a valuable employee named Omar Aggad, who eventually left, with Olayan's blessings, to start his own company. Aggad sided the urge to represent any and every available agency, and is now doing established, reasonably integrated company.

Aggad has invested heavily in domestic industry. Plastics, steel, aluminum, foam insulation, facial tissues, prefabricated concrete buildings, and bottled water are some of the products manufactured by AICO, the other firm of the 21 Aggad companies.

AICO's other lines of business include oil tankers, insurance, construction, mechanical contracting, and elevator sales and installation.

Aggad's first ventures were in construction, and then building materials. But he

veered away from low-technology building products such as concrete block and brick factories. In 1973, the Saudi Plastic Products Co. Ltd. (SAPPCO) capitalized at \$27.4 million began production of plastic pipes. The Riyadh-based plant had an initial production capacity of 200 tons per year of polyvinyl chloride (PVC) pipes. Its production capacity is now 38,000 tons of PVC pipes and 4,200 tons of polystyrene insulation board.

Aggad had foreseen that the Kingdom's widespread use of PVC pipe for electrical conduits and home plumbing would open up a large market for him. The SAPPCO plant that he built later in Dammam has an annual capacity of 12,000 tons of PVC pipes and 2,000 tons of high-density PVC pipes. SAPPCO entered into a joint venture with Texaco Saudi Investments Inc., of Texaco of the United States. SAPTEX was capitalized at more than \$8 million to produce 12 million square meters per year of rigid polyurethane foam insulation board.

SAPPCO also entered into an \$11.5 million joint venture with George Fischer Ltd., of Switzerland, to form Arabian Plastic Manufacturing Co. Ltd. (APLACO), which produces plastic fittings for the construction industry. Pipe joints and other PVC items complemented the Aggad line of PVC construction material.

The other push into building materials was into aluminum, steel and concrete. Aggad looked for higher value-added projects than cement plants, and established MABCO (Manufacturing & Building Co. Ltd.), a \$27.4 million leader in pre-cast concrete buildings. GRC (Saudi Arabia) Ltd., a joint venture between MABCO, the Fahad Al-Tobashi Group, and Pilkington Brothers, of the United Kingdom, was set up to produce glass-reinforced concrete. Saudi Vetroit Co. Ltd. (SAVETO), a Saudi-Finnish joint venture, makes plasters and concrete adhesives. SAFINCO is a Saudi-Finnish joint-venture engineering and contracting firm which rounds off the Aggad

multi-level approach toward concrete construction products.

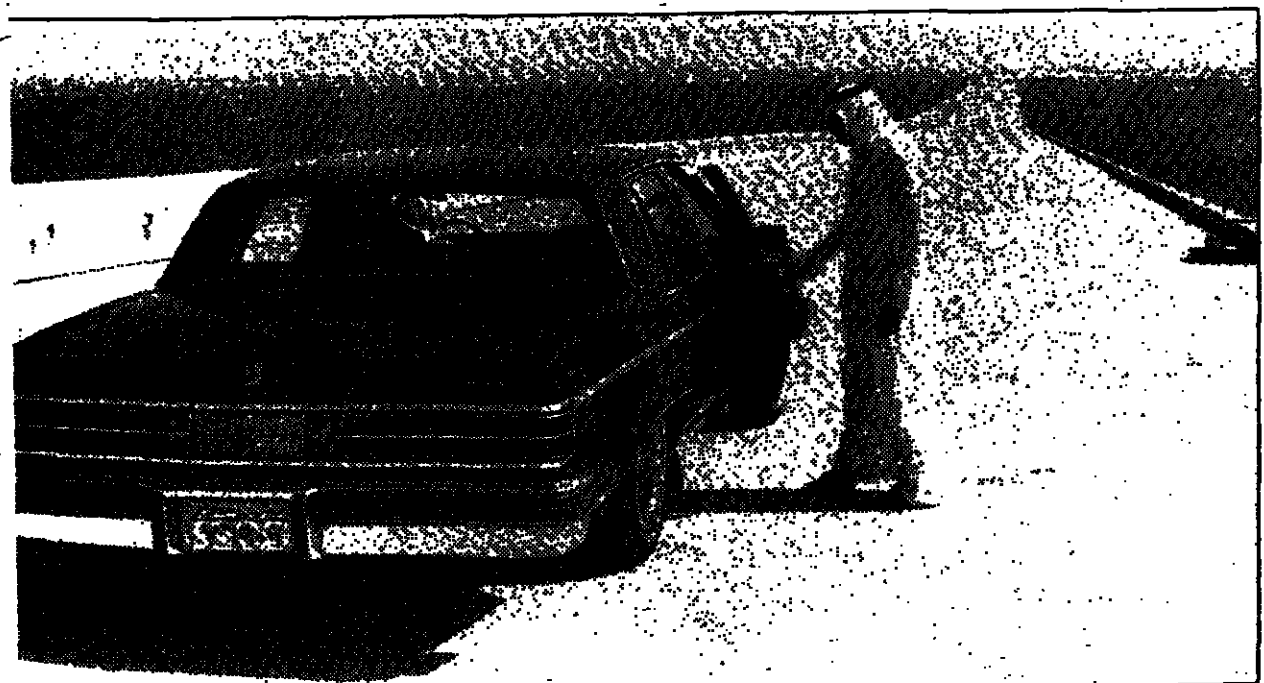
Aluminum Products Co. Ltd. (ALUPCO) deals in construction materials, a field in which Aggad already had experience. Consequently, ALUPCO is one of the Kingdom's industrial success stories. The Dammam-based company manufactures door and window frames, railings and other aluminum products in four factories. It has one of the largest manufacturing plants in the Middle East, and one of the largest anodizing units in the world. Aluminum Manufacturing Co. Ltd. (ALUMACO) was formerly Saudi Ajax Aluminium Co. Ltd., in Jeddah, and was purchased to expand market coverage.

Steel Products Co. Ltd. (STEPCO) is a steel wire-mesh manufacturer. Wire mesh is used in reinforced concrete, which is useful for MABCO. The company also produces fencing materials, lattice ribs, and custom-made steel products.

Artec Manufacturing Divi-

sion produces block cast terrazzo, a popular construction material in Saudi Arabia. Saudi Kone Lifts Ltd. supplies elevators, further complements to the construction materials business of AICO.

Aggad has chosen wisely in consumer products. Facial tissues and bottled water will always be high-demand items in a region as hot and dusty as Saudi Arabia. Nissah is the Kingdom's largest bottled water plant. The Riyadh plant produces 78 million liters a year. Hygienic Paper Factories produces the best-selling "fine" brand of paper facial tissues, toilet paper and napkins.



The new Saudi Arabian-Bahrain causeway is scheduled to open in 1986. It will be possible to drive from the mainland to Bahrain in about 40 minutes.

Abbar & Zainy: Leader in the Food Industry

The Kingdom's infrastructure is completed and the importance of its construction diminishes. Abbar & Zainy switched to food production as a place to concentrate its efforts.

The well-diversified company whose joint venture part includes Westinghouse and Ford, believes that Saudi companies must invest in the economy. "The government gives good incentives, and opportunities, though they are sought, are out there," Osama Zainy, an executive of the company.

Founded over 40 years ago, Abbar & Zainy is a leading force in the Saudi food industry.

Abbar & Zainy are now working on financing from the Saudi Industrial Development Fund and hope to sign the contract for the factory's construction soon.

Last month Abbar & Zainy took over an existing dairy products factory in the industrial estate, and are diversifying its yogurt and buttermilk lines to include longlife milk, juices and cheese.

At another factory, produc-

tion of the Arab confectioneries halawa and tahina has been increased by a third, with new automation and equipment making it as technically advanced as possible, said Zainy. Started in the early 1970s, the factory moved to Jeddah's industrial estate three years ago. Abbar & Zainy have long been leading food importers. It imports dry goods including such brands as Del Monte and Gerber, frozen and refrigerated goods such as meat and butter, cheese, and other dairy products.

It runs a chain of grocery

stores, and last year it opened the French Corner Restaurant, a favorite stop among the Kingdom's expatriate professionals. In food preparation, a joint venture with the French company Sodexo makes the company one of the Kingdom's leading caterers.

Over the last few years, the company has also invested in a number of agricultural projects — including a poultry farm in Wadi Faizma, outside Jeddah — using government incentives. Two years ago they doubled the farm's capacity and made it more efficient.

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NIC Launch Spearheads Private Sector Role

"It is our government's philosophy that if something can be done by the private sector, then there is no need for government funds."

So said Saudi Arabian Industries and Electricity Minister Abdul-Aziz al-Zamil just over a year ago, when the National Industrialization Corporation (NIC) was formally presented to the public.

Originally started three years ago by 111 Saudi businessmen and 10 Saudi companies and organizations acting with strong government backing, NIC is to the private sector what the Saudi Basic Industries Corporation (SABIC) is to the public sector. The aim of both is to create new industries in the Kingdom. They are both basically holding companies, initiating and investing in fresh enterprises. The only difference is that whereas the state-owned SABIC has invested massively in primary heavy industry, NIC invests in downstream secondary industries.

With an authorized capital of 600 million Saudi riyals (\$170 million), NIC slots very neatly into the government's current economic strategy as laid down in the 1985-90 Fourth Development Plan. Both corporations aim at giving the private sector a more important role than during the years of government-fueled industrial and infrastructural development. Both see the need to diversify away from dependence on oil and to attract foreign technology to the Kingdom.

NIC's recipe for success in building what it and the government hope will be a major production and export base is the combination of its own funds and research capabilities, foreign technology, and the funds and the initiative of the Saudi private sector. Joint ventures with foreign companies will be the norm, but not in the usual ratio of 50 percent foreign company and 50 percent NIC,

or even 49 percent foreign company and 51 percent NIC. Though NIC intends to be the initiator in bringing new industries to Saudi Arabia, its stake in such industries will vary from 10 to 40 percent, the rest being divided between the foreign component and other Saudi investors.

From 1982 until late 1984, NIC's board of directors, led by Dr. Mahsoun Jalal, spent most of its time investigating projects in which to invest, as well as preparing for its launch on the stock market. In December 1984, three months after being established as a joint stock company, 75 percent of NIC was finally offered to the Saudi public. The remaining 25 percent is held by the founder shareholders, which include such public organizations as SABIC, the Public Investment Fund, the Pensions Fund, the General Organization for Social Insurance, the National Agricultural Development Company, three banks (Riyad Bank, NCB and Saudi Investment Banking Corporation) and large private-sector firms like Olaylan Saudi Investment, Abbar & Zainy and Juffali.

The 90 percent initial take-up in the December sale was slightly below expectation. Many potential Saudi investors felt cautious about investing in a corporation many of whose plans were still under wraps. When SABIC had earlier offered to the Saudi public a group of shares worth almost 10 times the NIC offer, they were three times oversubscribed. It must be said that SABIC's record was well established. NIC, as Jalal admitted at the time, "differs from other companies in that it does not address well-understood problems."

Nevertheless, some 70,000 Saudis bought shares, and thanks to some hectic promotion work carried out by the board, the remaining 10 percent

was sold within days of the issue.

By the time the share sale was over, NIC had \$300 million, half its authorized capital. According to Dr. Mahsoun Jalal, NIC chairman, shareholders will be required to pay over the rest in the next couple of years.

NIC has so far invested or is committed to investing some \$215 million in four of the projects investigated prior to going public. These are the Arabian Axle Manufacturing Company, in which NIC has invested 15 percent of the \$20 million required to build and start up the plant; the Saudi Company for Refractories (14 percent holding); a joint venture with West Germany's Ferrostaal AG at Jubail that is geared to produce 50,000 tons annually of fence wire, nails, rivets and similar products (30 percent); and, lastly, the Bahrain-based Process Control Instrumentation Company. The first three were initiated by NIC itself, the last, for which it paid out \$2 million for a 10 percent stake, is a Gulf Cooperation Council project to produce computerized control equipment for refineries and petrochemical plants.

Although NIC is interested in virtually any project so long as it has potential both within the Kingdom and in the Gulf market, the emphasis is on investing in industries that use as feedstocks the vast amounts of processed petrochemicals and minerals available locally through the projects already started up by SABIC and PETROMIN.

ASLAK, the company set up in joint venture with Ferrostaal, will, for example, use raw mate-

rial provided by Iron & Steel Company's Fladged works, also in Jubail. The 165-million-riyal project is due to start operations in the first half of 1986.

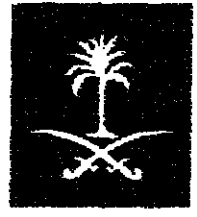
Other projects still under examination, but expected to go ahead, include a joint venture with the French Michelin company for a synthetic rubber production plant, probably in Yanbu, one with a West German firm for an industrial research and development company, and another, possibly with a Japanese company, for a general-use pipe plant.

NIC does not initiate all the projects it invests in. NIC quite happily invests in existing projects, usually to the tune of five to 30 percent. It has taken a 10 percent stake in SABIC's National Plastic Company as well as a 9.05 percent holding in the Saudi Pharmaceuticals & Medical Appliances Corp.

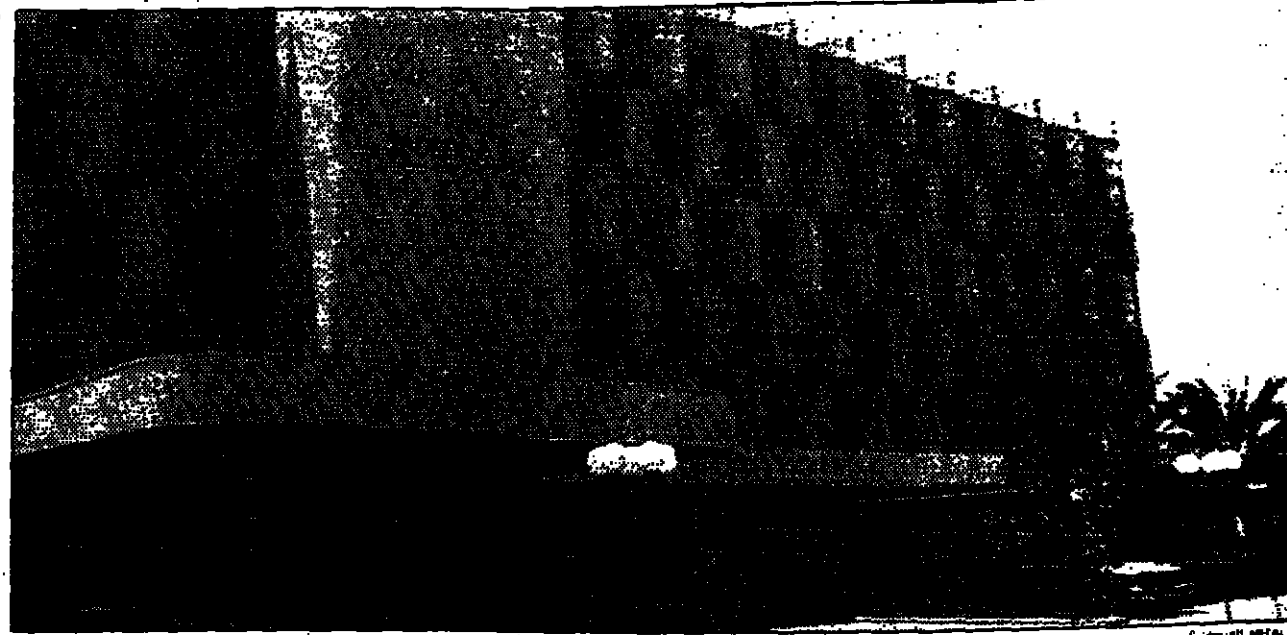
NIC continues to investigate other joint ventures. For instance, this autumn NIC teams visited Vienna and Stockholm to discuss possible cooperation.

However, the most important potential NIC investment under study is in the oil sector. NIC's stake could be anything up to \$70 million, the equivalent of what the Boeing group are investing in the nine ventures.

Investment in NIC will not only confirm NIC's position as the leading light in the Saudi private sector, but will almost certainly push up NIC's shares considerably. Little wonder then that by June of last year, quite a number of small-term Saudi investors regretted not having got on the bandwagon in time.



SAUDI ARABIA
SHAPING UP TO THE FUTURE



The Al-Khozama Hotel in Riyadh.

From Luxury Suites to Bowling at the Al-Khozama

It is hard for a five-star hotel to move upmarket, but that is the direction being taken by the Riyadh Al-Khozama Hotel. Its new Al-Khozama Center gives it the facilities necessary to compete head-on with larger hotels in Saudi Arabia's capital, Riyadh.

Hotel competition in the Kingdom is the most intense in the areas of luxury suites and sports facilities. Executives or delegations need larger rooms for conducting business. And since entertainment in the area is limited, residents and businessmen look to sports clubs for relaxation.

The Hotel Al-Khozama has recently expanded in these areas, while improving its regular suites and restaurants as well. The keystone of this new push was the completion of the Al-Khozama Center.

The Al-Khozama Center and the King Faisal Conference Center were designed by world-famous Japanese architect Kenzo Tange for the King Faisal Foundation, a philanthropic organization that donates yearly prizes in science and other fields, a Saudi version of the Nobel Prize.

The Al-Khozama Hotel is

owned by the King Faisal Foundation as well, and both are operated under a management contract with Gustar, of Switzerland.

Juergen Fischer, general manager of the hotel, says, "The small friendly businessman's hotel has grown up by adding a large residential commercial center designed by one of the world's renowned architects."

The Al-Khozama (the name stands for a sort of desert flower) had 188 rooms when it was built in 1978. During its refurbishment, several rooms were converted, adding five regular suites, seven special senior suites, and one deluxe Al-Khozama suite. The refurbishment will result in a better use of room space.

The Al-Khozama has always paid special attention to its food and beverage department. The Windrose Restaurant is considered one of Riyadh's best. Unfortunately, until the addition of the Al-Khozama Center, the hotel could only accommodate up to 100 people. Hundreds attend Saudi wedding parties, so hotels that cannot host them lose business.

In addition to the restaurant,

the hotel operates an outdoor barbecue and the Caravan Stop coffee shop, a small gift shop and 24-hour room service.

The Al-Khozama also maintains a well-equipped business center to cater to the needs of its primary business clientele.

It was the first hotel in the Middle East to be affiliated to an independent hotel organization called Leading Hotels of the World. The Al-Khozama's sister hotel in Jeddah is also a member and, along with the Al-Jubail International Hotel, is operated under contract by Gustar.

The Al-Khozama Center was planned to turn the entire King Faisal Foundation property into a multi-purpose real estate development.

The center was built by Heilit & Woerner, at a cost of \$54.79 million over a period of three years. Its 250-car underground parking lot is expected to ease parking problems. The center is part of a pedestrian mall with fountains, playgrounds and landscaped greenery.

To complement the hotel, the center had expanded banquet facilities that can host 600

persons. The center's 500-seat auditorium is the largest private facility of its type in the Kingdom. When it was first used, Saudi's monarch, King Fahd Bin Abdulaziz, personally presented King Faisal awards to prize winners.

The new center also allowed the Khozama to begin competing with other hotels by opening a sports center. It has tennis and squash courts. Guests can work out in the gymnasium, relax in the sauna and steam-bath, and cool off in the pool. An eight-lane bowling alley provides recreation.

Banquet facilities are only one facet of the new center. A new Italian restaurant, Da Pino, has been added. A European delicatessen that sells homemade gourmet items was also added. On the center's seventh floor, the Al-Khozama is working on a high-class Arabic restaurant, expected to be the first of its kind in the Kingdom.

In addition to sports, dining and shopping facilities, the new center contains modern apartments whose yearly rental rates range from \$18,904 to \$37,808. The fully furnished apartments include room service.

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NYSE Most Actives					
Vol.	High	Low	Last	Chg.	
Amgen	42.12	41.88	42.00	+0.12	
Amgen	42.12	41.88	42.00	+0.12	
Amgen	42.12	41.88	42.00	+0.12	
Amgen	42.12	41.88	42.00	+0.12	
Amgen	42.12	41.88	42.00	+0.12	
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Amgen	42.12	41.88	42.00	+0.12	
Amgen	42.12	41.88	42.00	+0.12	
Amgen	42.12	41.88	42.00	+0.12	
Amgen	42.12	41.88	42.00	+0.12	

Dow Jones Bond Averages					
	Close	Chg.		Close	Chg.
Bonds	82.12	+0.12		82.12	+0.12
Utilities	82.12	+0.12		82.12	+0.12
Industries	82.12	+0.12		82.12	+0.12

Dow Jones Averages					
Index	High	Low	Last	Chg.	
Indus	154.24	154.04	154.12	+0.08	
Trans	173.84	173.64	173.72	+0.08	
Comp	61.76	61.56	61.64	+0.08	

NYSE Diaries					
	Close	Prev.		Close	Prev.
Advanced	189.75	189.50		189.75	189.50
Declined	189.75	189.50		189.75	189.50
Unchanged	189.75	189.50		189.75	189.50
Total Issues	189.75	189.50		189.75	189.50
New Highs	189.75	189.50		189.75	189.50
New Lows	189.75	189.50		189.75	189.50
Volume up	97,827,340			97,827,340	
Volume down	48,726,410			48,726,410	

NYSE Index					
	High	Low	Close	Chg.	
Composite	121.52	121.32	121.32	+0.20	
Industries	121.52	121.32	121.32	+0.20	
Utilities	121.52	121.32	121.32	+0.20	
Finance	121.52	121.32	121.32	+0.20	

Odd-Lot Trading in N.Y.					
	Buy	Sell	Net		
Dec. 19	22,497	22,497	0		
Dec. 18	22,497	22,497	0		
Dec. 17	22,497	22,497	0		
Dec. 16	22,497	22,497	0		
Dec. 15	22,497	22,497	0		
Dec. 14	22,497	22,497	0		
Dec. 13	22,497	22,497	0		
Dec. 12	22,497	22,497	0		
Dec. 11	22,497	22,497	0		
Dec. 10	22,497	22,497	0		
Dec. 9	22,497	22,497	0		
Dec. 8	22,497	22,497	0		
Dec. 7	22,497	22,497	0		
Dec. 6	22,497	22,497	0		
Dec. 5	22,497	22,497	0		
Dec. 4	22,497	22,497	0		
Dec. 3	22,497	22,497	0		
Dec. 2	22,497	22,497	0		
Dec. 1	22,497	22,497	0		

Friday's NYSE Closing

Vol. of 4 P.M. 178,750,000
Prev. 4 P.M. vol. 138,230,000
Prev. consolidated close 154,885.50

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.
Via The Associated Press

AMEX Diaries					
	Close	Prev.		Close	Prev.
Advanced	214.00	213.75		214.00	213.75
Declined	214.00	213.75		214.00	213.75
Unchanged	214.00	213.75		214.00	213.75
Total Issues	214.00	213.75		214.00	213.75
New Highs	214.00	213.75		214.00	213.75
New Lows	214.00	213.75		214.00	213.75
Volume up	4,279,285			4,279,285	
Volume down	2,671,230			2,671,230	

Standard & Poor's Index					
	High	Low	Close	Chg.	
Industrials	224.87	224.67	224.77	+0.10	
Utilities	224.87	224.67	224.77	+0.10	
Finance	224.87	224.67	224.77	+0.10	
Composites	224.87	224.67	224.77	+0.10	

NASDAQ Index					
	Close	Chg.	Week	Year	
Composite	224.77	+0.10	224.77	224.77	
Industrials	224.77	+0.10	224.77	224.77	
Finance	224.77	+0.10	224.77	224.77	
Utilities	224.77	+0.10	224.77	224.77	
Composites	224.77	+0.10	224.77	224.77	

AMEX Sales					
	4 P.M. volume	Prev. 4 P.M. volume	Prev. consolidated volume		
Industrials	12,000,000				
Utilities	12,000,000				
Finance	12,000,000				
Composites	12,000,000				

AMEX Most Actives					
Vol.	High	Low	Last	Chg.	
Amgen	42.12	41.88	42.00	+0.12	
Amgen	42.12	41.88	42.00	+0.12	
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Amgen	42.12	41.88	42.00	+0.12	
Amgen	42.12	41.88	42.00	+0.12	

AMEX Stock Index					
	High	Low	Close	Chg.	
Industrials	224.87	224.67	224.77	+0.10	
Utilities	224.87	224.67	224.77	+0.10	
Finance	224.87	224.67	224.77	+0.10	
Composites	224.87	224.67	224.77	+0.10	

12 Month High	Low	Stock	Div.	Yld.	PE	52 Wk High	Low	Chg.	Chg.
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	

12 Month High	Low	Stock	Div.	Yld.	PE	52 Wk High	Low	Chg.	Chg.
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	
24.12	24.12	AAR	0.10	4.0	15.0	24.12	24.12	+0.12	

NYSE Prices Generally Higher

The Associated Press
NEW YORK — Prices on the New York Stock Exchange moved generally higher in a busy session Friday despite some late selling of blue-chip stocks.

The Dow Jones average of 30 industrials, up more than 14 points at midday, was off 52 at 1,543.00 by the close. But several other, broad market measures posted solid gains.

NYSE volume stepped up to 170.7 million shares, from 130.2 million Thursday. Gainers outnumbered losers by nearly 2 to 1.

The exchange's composite index added 57 to 121.32.

Standard & Poor's index of 400 industrials rose 89 to 234.17, and S&P's 500-stock composite index was up 92 at 210.94.

Analysts said the market showed no drastic effects from the "witching hour." The term refers to the expiration of a set of options and futures on stock indexes, which occurred as of Friday's close. Last-minute maneuvering by professional traders involving these contracts and individual stocks has on occasion in the past sparked sudden swings in stock prices.

The Dow's drop in late trading was attributed by some to selling by these traders. Observers also theorized that the decline in the blue-chips could have come as other investors sold to get out of the professionals' way.

Before the opening, the Commerce Department issued its "flash" estimate that the gross national product was growing at a 3.2-percent annual rate in the fourth quarter. At the same time, it revised its figure for the third quarter downward, from 4.3 percent to 3 percent.

The Labor Department, meanwhile, said the consumer price index rose 0.6 percent last month.

Analysts said traders generally took the GNP figures as mildly encouraging and did not seem greatly concerned by the inflation data.

Still, they said the latest readings on the economy might tend to dissuade the Federal Reserve from lowering its discount rate. Wall Street has been talking up the chances of a discount-rate cut for several weeks.

Among actively traded blue-chips, International Business Machines rose 3/4 to 154 1/2, and American Express gained 1/4 to 52 3/4. But General Motors dropped 1 1/4 to 73 1/4.

A Wall Street Journal story said GM dealers had large inventories of unsold cars on their lots after a recent heavy production schedule by the company. Ford Motor dropped 1 1/4 to 57 1/4, and Chrysler was down 3/4 at 44 1/4.

Walt Disney Productions climbed 3 1/4 to 113 1/4. The company said the activity apparently came in response to its recent announcement of plans for a theme park in France.

J.P. Morgan led the active list, up 3/4 at 62 3/4. A 2-million-share block changed hands at 62 1/2.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.
Via The Associated Press

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Via The Associated Press

[illegible]

Via The Associated Press

Dec. 20

[illegible]

(CBT)

[illegible]

4.78	Jan	5.23	5.40	5.50
4.85%	Mar	5.47	5.53%	5.55

**Amexco to Raise Capital
To Expand Underwriting**
International Herald Tribune
LONDON — American Express Bank Ltd., a unit of American Express Co., plans to use a \$175-million capital increase to expand its underwriting of international bond issues. The parent company announced Thursday.

AN OIL (CBT)

The move would raise the banking unit's primary capital to about \$1.3 billion at year-end, Robert F. Smith, chairman of the bank, said in a telephone interview.

He said the bank would increase its cooperation in the Eurobond market with another American Express unit, Shearson Lehman Brothers. Shearson would be able to act as a lead manager of more issues by drawing on the

53.30	Apr	60.70	61.15
54.25	Jun	60.95	61.30
55.20	Aug	61.20	61.65

bank's capital resources and network of wealthy customers," Mr. Smith said.

Asked whether the cooperation eventually might lead to a merger of the bank and Shearson, he said: "It's too early to speculate on that."

ities

Dec. 20
ES
Prev.

Cash Prices

Dec. 20

Commodity and Unit	Per	Year
Coffee & Sugar, lb.	1.26	1.08
Green beans (44.25 lb. box)	1.25	1.08
Green beans (19.25 lb. box)	0.70	0.60

38.37	Dec	41.25	41.30
40.40	Feb		

[illegible]

135.50	Jul	231.50	231.50	231.50
132.75	Sep			
138.00	Dec			

[illegible]

125	8	17.15
135	9	17.15

[illegible]

49	4,935	0.59
Vol.		Cell

	WEST PAC	Q1	71.20	1-20	10-90
418.00					
422.00					
-					
-					
469.00					
479.00					

o-current; q-monthly; q-quarterly; s-half
annual

Source: UPI.

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BOB FENWICK'S
WEDNESDAYS IN THE HIT

1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 26

Handwritten: *Johnnie Williams*

CURRENCY MARKETS

Dollar Closes Lower on Rate Speculation

By Our Staff From Dispatches
NEW YORK — The dollar ended on Friday after the U.S. Federal Reserve injected reserves into the market, renewing speculation that a cut in the benchmark rate was imminent.

Dealers said few positions were taken through the day and markets barely reacted to the "flash" estimate of fourth-quarter economic data. The dollar was selling off before GNP report, bounced up on the report, then sold off the Fed made an aggressive to supply funds, said Daniel

Holland, vice president at Discount Corp. of New York.

In New York, the dollar hit a high of 2.5200 Deutsche marks and a low of 2.5040 before closing at 2.5075, down from 2.5140 on Thursday. It also slipped to 202.40 yen from 203.05, to 7.6925 French francs from 7.7100, and to 2.1050 Swiss francs from 2.1100.

In earlier trading in Europe, the dollar closed in London at 2.5100 DM, down from 2.5115 at the opening and Thursday's close of 2.5160.

The dollar also slipped in London to 202.63 yen from 203.00 on Thursday and to 2.1110 Swiss francs from 2.1128.

The British pound, meanwhile, ended fractionally stronger in the absence of any movement in oil prices. It ended in New York at \$1.4315, up from \$1.4245 on Thursday. Earlier in London, the British currency closed at \$1.4245 against the dollar, up from \$1.4220 Thursday, and at 3.5845 against the mark, up from 3.5718.

In other European markets Friday, the dollar was fixed at mid-market in Frankfurt at 2.5200 DM, nearly unchanged from 2.5205 at the Thursday fixing, and at 7.7200 French francs in Paris, down from 7.7290.

(Reuters, UPI, IHT)

Trafalgar, Glen Move on Minebea

The Associated Press

TOKYO — Trafalgar Holdings Ltd. of Los Angeles and Glen International PLC of London, which have made a hostile takeover bid for Minebea Co., the Japanese ball-bearing company, took a step Friday toward becoming Minebea's largest shareholder.

The companies deposited with a transfer agent about 14 million shares of Minebea stock. The move established their right to challenge Minebea's attempt to merge with Kanemori Co., a kimono maker.

Trafalgar and Glen charge that Minebea is buying Kanemori to dilute the value of Minebea stock and prevent the takeover, which would be the first by a non-Japanese company in Japan.

Floating-Rate Notes

Dec. 20

Dollar

Coupon Next Bid Ask

12 Month

18 Month

24 Month

30 Month

36 Month

42 Month

48 Month

54 Month

60 Month

66 Month

72 Month

78 Month

84 Month

90 Month

96 Month

102 Month

108 Month

114 Month

120 Month

126 Month

132 Month

138 Month

144 Month

150 Month

156 Month

162 Month

168 Month

174 Month

180 Month

186 Month

192 Month

198 Month

204 Month

210 Month

216 Month

222 Month

228 Month

234 Month

240 Month

246 Month

252 Month

258 Month

264 Month

270 Month

276 Month

282 Month

288 Month

294 Month

300 Month

306 Month

312 Month

318 Month

324 Month

330 Month

336 Month

342 Month

348 Month

354 Month

360 Month

366 Month

372 Month

378 Month

384 Month

390 Month

396 Month

402 Month

408 Month

414 Month

420 Month

426 Month

432 Month

438 Month

444 Month

450 Month

456 Month

462 Month

468 Month

474 Month

480 Month

486 Month

492 Month

498 Month

504 Month

510 Month

516 Month

522 Month

528 Month

534 Month

540 Month

546 Month

552 Month

558 Month

564 Month

570 Month

576 Month

582 Month

588 Month

594 Month

600 Month

606 Month

612 Month

618 Month

624 Month

630 Month

636 Month

642 Month

648 Month

654 Month

660 Month

666 Month

672 Month

678 Month

684 Month

690 Month

696 Month

702 Month

708 Month

714 Month

720 Month

726 Month

732 Month

738 Month

744 Month

750 Month

756 Month

762 Month

768 Month

774 Month

780 Month

786 Month

792 Month

798 Month

804 Month

810 Month

816 Month

822 Month

828 Month

834 Month

840 Month

846 Month

852 Month

858 Month

864 Month

870 Month

876 Month

882 Month

888 Month

894 Month

900 Month

906 Month

912 Month

918 Month

924 Month

930 Month

936 Month

942 Month

948 Month

954 Month

960 Month

966 Month

972 Month

978 Month

984 Month

990 Month

996 Month

1002 Month

1008 Month

1014 Month

1020 Month

1026 Month

1032 Month

1038 Month

1044 Month

1050 Month

1056 Month

1062 Month

1068 Month

1074 Month

1080 Month

1086 Month

1092 Month

1098 Month

1104 Month

1110 Month

1116 Month

1122 Month

1128 Month

1134 Month

1140 Month

1146 Month

1152 Month

1158 Month

1164 Month

1170 Month

1176 Month

1182 Month

1188 Month

1194 Month

1200 Month

1206 Month

1212 Month

1218 Month

1224 Month

1230 Month

1236 Month

1242 Month

1248 Month

1254 Month

1260 Month

1266 Month

1272 Month

1278 Month

1284 Month

1290 Month

1296 Month

1302 Month

1308 Month

1314 Month

1320 Month

1326 Month

1332 Month

1338 Month

1344 Month

1350 Month

1356 Month

1362 Month

1368 Month

1374 Month

1380 Month

1386 Month

1392 Month

1398 Month

1404 Month

1410 Month

1416 Month

1422 Month

1428 Month

1434 Month

1440 Month

1446 Month

1452 Month

1458 Month

1464 Month

1470 Month

1476 Month

1482 Month

1488 Month

1494 Month

1500 Month

1506 Month

1512 Month

1518 Month

1524 Month

1530 Month

1536 Month

1542 Month

1548 Month

1554

By John M. Samson

DOWN	DOWN	DOWN	DOWN
Fair attractions	77 Actor Davis	91 "— the Lord"	102 Thermo follower
Hawks' Georgian home	78 'Tis he seasoning to charity of	92 A Jackson brother	103 Buffalo's county
Hang glide	81 In progress	94 Clannish, in a way	104 U.S.N.A. rank below capt.
Like a lophouse	83 How Frank speaks?	95 Tee privileges	
Russian sea	84 Place for a partridge?	97 Numbers game	105 "— Called Peter," 1955 movie
Scruff	87 They comfort heels	99 Levi of the links	
"The — Love Belongs": "Kahn-Jones	88 Actor in "Tony Rome"	100 Victorious symbol	108 Exasperation
N.B.A.'s Birdsong	89 Santa's alternative vehicle?	101 Olive genus	109 "Faerie Queen" damsel
Retreat			

We hear wisest of the two sides of his character—gentle, inarticulate he was when sober, and a violent bully, no better than “a Bowery bum,” when drunk; and drunk he apparently was through most of his career, except during those few extraordinary years when he evolved and mastered his famous “drip” or “splattering” technique.

We explore the origin of that technique. Some say it was the result of a fall from a Indian sand pit. Others see it in Surrealism and Dadaism. Some even assert that it happened because during *World War II* “you couldn’t buy brushes, which may have led Jack to try his tricks.” Another says it must have started because Pollock was drinking.

The most eloquent insist that, no matter how it began, it was no mere trick.

Stanley William Hayter, who was Pollock’s teacher, exclaims: “A lot of our people said this was nonsense, that anybody could do it. That enraged me, and I said, ‘Go to it, and I’ll bet you that not one of you can make one square inch of anything that wouldn’t be mistaken for what Pollock’s done, what I couldn’t do, what the machine has done.’ And they wouldn’t because it’s absolutely distinctive, more than handwriting. It’s the attempts at faking Pollock’s; our own’s been fooled.”

From such ecstatic outbursts of praise we de-

In the pages of "To a Violent Grave," we see the birth of the legend in perspective. Through the testimony of Pollock's family, friends, colleagues and neighbors — as well as Potter, who developed a typically complex relationship with the painter — we watch Pollock grow from the pampered youngest child of a mother-dominated family from the American West to the figure about whom it has been said: "There was art and then came Pollock."

WEATHER

EUROPE			ASIA			
	HIGH	LOW		HIGH	LOW	
Algeria	22	75	fr	Seoul	26	82
Amsterdam	11	23	fr	Bangkok	1	34
Antwerp	15	49	fr	Batavia	1	34
Bordeaux	15	49	fr	Bombay	21	54
Brussels	7	43	fr	Calcutta	21	54
Cardiff	9	46	fr	Colombo	1	34
Düsseldorf	9	46	fr	Guangzhou	1	34
Geneva	5	41	fr	Hankow	1	34
Hamburg	12	34	fr	Harbin	1	34
London	12	34	fr	Shanghai	1	34
Luxembourg	12	34	fr	Taipei	1	34
Manchester	12	34	fr	Tokyo	10	30
Paris	12	34	fr			
Rotterdam	12	34	fr			
Stockholm	12	34	fr			
Zurich	12	34	fr			
AFRICA			LATIN AMERICA			
Algeria	22	75	fr	Alcala	18	44
Amsterdam	11	23	fr	Batavia	21	54
Antwerp	15	49	fr	Bombay	21	54
Bordeaux	15	49	fr	Calcutta	21	54
Brussels	7	43	fr	Colombo	1	34
Cardiff	9	46	fr	Guangzhou	1	34
Düsseldorf	9	46	fr	Hankow	1	34
Geneva	5	41	fr	Harbin	1	34
Hamburg	12	34	fr	Shanghai	1	34
London	12	34	fr	Taipei	1	34
Luxembourg	12	34	fr	Tokyo	10	30
Manchester	12	34	fr			
Paris	12	34	fr			
Rotterdam	12	34	fr			
Stockholm	12	34	fr			
Zurich	12	34	fr			
MIDDLE EAST			NORTH AMERICA			
Algeria	22	75	fr	Anchorage	11	22
Amsterdam	11	23	fr	Astoria	4	39
Antwerp	15	49	fr	Batavia	21	54
Bordeaux	15	49	fr	Bombay	21	54
Brussels	7	43	fr	Calcutta	21	54
Cardiff	9	46	fr	Colombo	1	34
Düsseldorf	9	46	fr	Guangzhou	1	34
Geneva	5	41	fr	Hankow	1	34
Hamburg	12	34	fr	Harbin	1	34
London	12	34	fr	Shanghai	1	34
Luxembourg	12	34	fr	Taipei	1	34
Manchester	12	34	fr	Tokyo	10	30
Paris	12	34	fr			
Rotterdam	12	34	fr			
Stockholm	12	34	fr			
Zurich	12	34	fr			
OCEANIA			EUROPE			
Algeria	22	75	fr	Algeria	22	75
Amsterdam	11	23	fr	Amsterdam	11	23
Antwerp	15	49	fr	Antwerp	15	49
Bordeaux	15	49	fr	Bordeaux	15	49
Brussels	7	43	fr	Brussels	7	43
Cardiff	9	46	fr	Cardiff	9	46
Düsseldorf	9	46	fr	Düsseldorf	9	46
Geneva	5	41	fr	Geneva	5	41
Hamburg	12	34	fr	Hamburg	12	34
London	12	34	fr	London	12	34
Luxembourg	12	34	fr	Luxembourg	12	34
Manchester	12	34	fr	Manchester	12	34
Paris	12	34	fr	Paris	12	34
Rotterdam	12	34	fr	Rotterdam	12	34
Stockholm	12	34	fr	Stockholm	12	34
Zurich	12	34	fr	Zurich	12	34

Via Agence France-Presse Dec. 20
Closing prices in local currencies unless otherwise indicated

[illegible]

PEANUTS

I HEAR YOUR GRAMPA JUST RETIRED...

WHAT DOES HE DO ALL DAY?

OH, HE KEEPS BUSY...

HE SPENDS THE DAY LOOKING FOR THINGS HE'S MISPLACED.

HI, ELMO, HOW ARE YOU DOING ?

ARE YOU KIDDING, MR. BUMBLESTAD ?

SCHOOL'S OUT AND CHRISTMAS IS THE BEST WAY !

FAN-TASTIC !!

WHAT IT'S LIKE TO BE YOUNG

CLICK

CLICK

12-21

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AND THE COW SAID, "MOO!" AND THE PUCK SAID, "QUACK!"

AND THE CAT SAID, "ARF!"

12-21

THE HISTORY OF THE PUCK

JUST TESTING TO SEE IF YOU'RE LISTENING

MORE WINKER

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FANCY A DRINK
OVER THE TOP?
OLDSIDE
THIS EVENING,
HAN?

GUT DON'T KNOW
CHALGE - WE'VE
BEEN OUT FOUR
NIGHTS IN
SUCCESSION, YANDY.

I SUPPOSE
IT IS
GOING
OVER THE
TOP A BIT

THERE YOU
GO AGAIN
CAGING
ME IN!!

12-21

HOW MUCH LIFE INSURANCE DO YOU HAVE?

ENOUGH

ENOUGH FOR WHAT?

ENOUGH TO MAKE YOU A LOT MORE ATTRACTIVE THAN YOU ARE?

JEFF SMITH

PANEL 1:
 YOU KNOW, I WAS THINKING MAYBE I SHOULD GIVE UP MY APARTMENT AND MOVE INTO THE BIG HOUSE WITH DAD!
 DON'T YOU DARE, SIS! WHAT ARE YOU GOING TO DO—WATCH HIM—BE HIS CHAPERONE? BESIDES, IT WOULDN'T BE GOOD FOR YOU!

PANEL 2:
 HELLO, YOU TWO! WHAT ARE YOU DOING HERE AT THE PLANT, LUCY?

PANEL 3:
 I DON'T SEE YOU VERY MUCH ANYMORE—SO I DECIDED TO STOP BY AND TAKE YOU TO DINNER TONIGHT!

PANEL 4:
 I'M SORRY, SWEET-HEART, I'M TIED UP—BUT WE'LL MAKE IT ANOTHER TIME!

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Panel 1: A boy is eating spaghetti. A cat is sitting next to him, purring. A speech bubble from the cat says: "PURRRRRR, PURR, PURR".

Panel 2: The boy is still eating spaghetti. The cat is sitting next to him, looking at him.

Panel 3: The boy is eating spaghetti very loudly. A thought bubble from the cat says: "ACTIONS SPEAK LOUDER THAN PURRS".

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Christopher Lehmann-Haupt is on the staff of The New York Times.

[illegible]

